FINANCIAL TIMES

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The sound of (film) music

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Can boffins become bosses?

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Heart attack in mid-air

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World Business Newspaper http://www.FT.com MONDAY MAY 5 1997

Left closes gap as campaigning opens in France

The French left has closed the gap on the centre-right coalition of prime minister Alain Juppé, left, according to a poll published just before the official start today of campaigning in France's parliamentary election. The Ifop poll showed Socialist support at 28.5 per cent, up by 2.5 points, with its Communist allies steady on 10 per cent, while the coalition parties were unchanged at 37 per cent. Page 18

Canada set to limit Bre-X trades: The Toronto stock exchange has taken special precautions to handle an expected explosion of trading today in shares of Bre-X Minerals, the controversial Calgary-based gold exploration company, when it releases results of an independent audit of rock samples from the disputed Busang mining property in Indonesia. Page 18

Ageing to bring suffering, WHO says: Rising life expectancy over the next 20 years will result in "a crisis of suffering" by bringing with it "global epidemics" of cancer, heart disease and other chronic illnesses affecting hundreds of millions of people, says the World Health Organisation. Page 18

Refugees suffocated: More than 100 Hutu refugees suffocated or were crushed to death yesterday in a train carrying them from a refugee camp in Zaire to be airlifted home to Rwanda, a UN official said.

Intel will crank up the performance of personal computers this week with the launch of Pentium II, a new generation of high speed microprocessor chips that is expected to spur PC sales. Page 19

British Sky Broadcasting has completed plans for its joint venture with British Telecommunications, Midland Bank and Matsushita to form British Interactive Broadcasting, and will announce on Wednesday that it will soon launch 200 channels of digital television in the UK, with services such as home shopping, banking and the Internet on TV screens. Page 19

Budget deal hailed: US treasury secretary Robert Rubin defended the balanced budget deal struck last week, denying that it was dependent on over-optimistic assumptions about economic growth. Republicans and Democrats said the deal signalled a shift toward policies that would assure long-term growth. Page 3

Newmont Mining of the US denied reports it was under pressure from the Indonesian authorities to reduce from 80 per cent to 31 per cent its stake in the huge Batu Hijau copper and gold deposit on the island of Sumbawa. Page 19

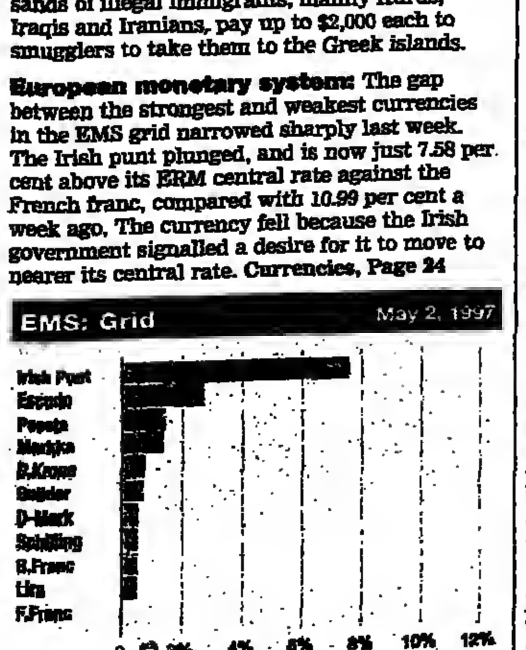
Canada opens up telecoms sector: Rulings by the Canadian Radio-television and Telecommunications Commission will allow entrants to challenge the monopoly on local telephone services held by Bell Canada and other provincial providers, while the phone service providers will be allowed to apply for broadcast cable licences. Page 3

Turkish TV station shut over interview: Turkish police closed an independent television channel after it broadcast a live interview with e prominent underworld figure who said senior government figures had demanded "commissions" to approve business deals. Page 2

Iraqis drown in flight to west: Authorities said 17 Iraqis drowned and four others were feared lost when their two small boats capsized as they tried to make the passage from Kusadasi in Turkey to the Greek island of Samos. Thousands of illegal immigrants, mainly Kurds, Iraqis and Iranians, pay up to $2,000 each to smugglers to take them to the Greek islands.

European monetary system: The gap between the strongest and weakest currencies in the EMS grid narrowed sharply last week. The Irish punt plunged, and is now just 7.58 per cent above its ERM central rate against the French franc, compared with 10.99 per cent a week ago. The currency fell because the Irish government signalled a desire for it to move to nearer its central rate. Currencies, Page 24

EMS: Grid May 2, 1997



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

Labour moves closer to EU

New UK government seeks a fresh start in Europe and pledges to sign Social Chapter

By Lionel Barber in Brussels and Stefan Wagstyl in London

The new Labour government in Britain will today proclaim a fresh start in relations with Europe, and promise to sign the European Union's Social Chapter in six weeks.

Labour is expected to highlight the break with the Eurosceptic attitudes of its Conservative predeceseors by declaring that the UK is oow ready to support a limited extension of majority voting in EU decision-making.

The British policy of "coostructive engagement" with Europe will be presented in Brussels, where negotiations are due to resume in the intergovernmental conference (IGC) on the future of the EU.

The UK will be represented by Mr Doug Henderson, a moderate pro-European, who was yesterday appointed minister for Europe, replacing Mr David Davis, the Eurosceptic who held the post in Mr John Major's defeated Conservative government.

Mr Tony Blair, the Labour prime minister, dropped tentative plans to offer the job to Sir Devid Simon, chairman of British Petroleum, after opposition from Mr Robin Cook, the foreign secretary.

Mr Cook is determined to tap into the goodwill among EU governments eocouraged by Labour's landslide victory in last week's UK general election.

"Today's meeting opens a new chapter in Britain's relations with Europe," he said in a statement.

By supporting minimum social standards for workers Labour will bring to an end Britain's isolation oo the issue, which began in 1991 when the Conservative goveroment insisted on an opt-out from the Social Chapter in the Maastricht treaty.

Under two EU laws to be introduced as part of the chapter, British companies employing more than 1,000 people will be obliged to inform their workforcee about business planning, and new parents will be eotitled to three months unpaid leave.

Despite Labour's promise of a fresh start in relatioos between Britain and Europe, EU diplomats are aware that Mr Blair and his collesgues share some of the Conservative mistrust of moves toward greater integration.

Mr Cook will warn today that British support for future EU social legislation will depend on whether it promotes competitiveness and the goal of a skilled and flexible workforce.

British officials also signalled yesterday that Mr Cook wants "something in return" for his offer to be more flexible in the IGC.

The Labour government is most worried about proposals to incorporate justice, home affairs, and cootrol over borders into the main EU treaties.

Like the Conservatives, Labour is hostile to extending the aothority of the European Commission and the European Court of Justice in this area.

Labour also opposes Franco-German plans for a phased merger between the EU and the Western European Union, its fledgling defence arm.

The IGC negotiations have been virtually stalled for the past 12 months because of the British general elections.

EU diplomats said that the flexibility of the Labour administration would forca other countries – which have been hiding behind the Conservative government – to show their hands.

Mr Blair, who made senior Cabinet appointments on Friday, spent the weekend allocating other posts, ofteo to close personal allies.

Meanwhile, the Conservative party was deep in debate over possible successors to Mr John Major, who resigned as its leader shortly after the election defeat.

However, Mr Michael Heseltine, the former deputy prime minister, pulled out of the race after being admitted to hospital with heart trouble.

Schröder finds inspiration in Blair, Page 2; Bankers urge clear Emo strategy, Page 6; Leader comment, Page 17; French election and Lex, Page 18

Italy's Marzotto calls off $4.65bn merger

By Robert Graham in Rome

Marzotto, the Italian family-cootrolled textile group, has called off its high-profile L8,000bn ($4.65bo) merger with HPI, the industrial portfolio of the Gemine holding group.

The aborted merger deprives the Marzotto group of a chance to form part of a major international textile and clothing conglomerete, which would have beeo the second largest private group in Italy.

To Marzotto's Hugo Boss, HPI would bave added its controlling stakes in Fila, the sportswear specialist, and Gruppo Finanziero Tessile, which manufectures clothes for leading designers such as Armani, Ferre and Prada.

The failed deal is likely to burt botb HPI, which was formed earlier this year after Gemina hived off its loss-making financial services, and Mediobanca, the powerful Milan merchant bank.

HPI shares have beeo quoted eince their appearance in March on the basis of the swap with Marzotto. Analysts say it will be a big test today for HPI when the market opens.

Mediobanca had been orchestreting the deal since last July. Two years ago the bank failed in a more ambitious attempt to find a partner for Gemina, proposing the formatioo of "Super-Gemina", which would have merged with most of the former Ferruzzi-Montedison empire and Fiat's chemicals companies.

The decision to abort the merger was taken unanimously by directors of the Marzotto group on Saturday, citing "irreconcilable differeoces". A statement identified two areas of disagreement with HPI, whose shareholders include the cream of Italy's business establishment.

The first problem concerned the sharing of responsibility, and the second the proposed use of risk capital and lending facilities.

Analysts said the Marzottos realised their business would

Continued on Page 18
Marriage broker fails, Page 20

On the way out: President Mobutu has been forced to concede he will step down Picture: Reuter

Mobutu considers call to step down as rebels fight on

By Michela Wrong in Kinshasa

A military assault on Zaire'e capital looked inevitable after President Mobntu Sese Seko and rebel leader Mr Laurent Kabila failed to agree on the terms of a peaceful transfer of power during their first face-to-face meeting yesterday.

At the end of the long-delayed talks aboard a Sonth African warship moored off the Congo coast, Mr Kabila said his Alliance of Democratic Forces for the Liberation of Congo (AFDL) would fight on while Mr Mobutu considered a rebel demand for his resignation.

The shipboard meeting effectively signalled the end of Mr Mobntu's regime, for it forced him to concede that he would step down, even if the terms of his departure were not yet clear.

Mr Kabila, whose cheerful demeanour throoghoot the meeting contrasted with Mr Mobntu's grim-faced appearance, confidently predicted his forces would be 80km from Kinshasa by Sunday evening.

"Mobntu has asked me to give bim eight days while he considers our demand to resign. I have agreed to that request," Mr Kabila told journalists.

"I made it clear a ceasefire is oot of the question and my forces will continue to advance oo all froots. If we make it to Kinshasa before the eight days then too bad, but we cannot wait wbile be makes up his mind," he added.

The summit's ootcome will come as a bitter disappointmeot to Sooth African and United States negotietors, desperete to avert a damagiog battle for the riverside city of 5m inhabitants.

They had spent days cajoling the two parties aboard the SAS Outeniqua and the very fact thet the shipboard meeting took plece on Sundey, after a series of false starts

Continued on Page 18
End of an era, Page 4

Soros consortium set to bid in Brazil iron ore sell-off

By Geoff Dyer in São Paulo

Mr George Soros, possibly the world's best-known speculator, and Gencor, the South African mining group, have emerged as potential shareholders in Brazil's Companhie Vale do Rio Doce (CVRD), the world's largest iron ore company.

Mr Soros is one of the investors in Opportunity Asset Management, one of the three main shareholders in a consortium planning to bid for a controlling stake in CVRD when the iron-ore company is privatised by the Brazilian government.

The newe came as the planned auction of shares in the company, which represeots the first stage of Latin America's biggest privatisation, was delayed until tomorrow at the earliest. It was originally scheduled to take place last Tuesday.

The other consortium bidding for a 40-45 per cent stake in CVRD is joint led by South African mining company Anglo American and Grupo Votorantim, the largest Brazilian conglomerate.

Mr Benjamin Steinbruch, chairman of Companhia Siderúrgica Nacional (CSN), the Brazilian steel maker which has organised the consortium, confirmed that Mr Soros was one of the investors in OAM but refused to disclose the size of his investment. Officials et OAM could not be reached for comment.

OAM, an offshore fund run by Mr Daniel Dantas, does have stakes in other companies, but its main purpose is as a vehicle to invest in CVRD, Mr Steinbruch said.

Mr Dantas is still trying to secure other investors for the fund.

Mr Demócrito Reinaldo, the Brazilian judge who is considering a government legal action which would allow the sale to proceed, said at the weekend that he was nnlikely to make a decision before tomorrow.

The government has asked Mr Reinaldo, a judge at the Supreme Tribunal of Justice, one of the country's highest courts, to overturn the injunctions that have been issued against the sele in lower courts.

Mr Steinbruch also revealed that Gencor had signed a "letter of intent" to negotiate an investment in the CSN-led consortium after the auction, in the event that it won the bidding. The size of any potential investment had still to be decided, he said.

Mr Steinbruch denied speculation that the continued delay in the auctioo was causing problems for the consortium. The three main investors, CSN, Opportunity and NationsBank of the US, had signed contracts committing themselves to the consortium, he said.

In the past week, the Brazilian subsidiary of Alcoa of the US, the aluminium producer, and Suzano, the Brazilian paper and pulp company, have withdrawn from the consortium. Negotiations were still continuing with these and other companies, said Mr Steinbruch.

CONTENTS

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Spain is confident it is on target to qualify for European monetary union

Fortune smiles on Aznar's first year

A year after Mr José Maria Aznar was sworn in as Spanish prime minister, his government finds itself in a much more comfortable economic position than it might have expected.

With growth accelerating and inflation tumbling, Spain is heading confidently towards the examination of candidates to be approved as future participants in the European single currency in another year's time.

Controlling public finances has brought less strain than appeared likely. In its first stint in power, the centre-right Popular party (PP) has met with good fortune. Measures to liberalise the economy have been helped by European recovery and general passivity in the face of budget curbs.

Its beginnings were less auspicious. Stunned by an election result which left the party 20 aeats short of a majority, forced to swallow its principles to make deals with powerful regional parties in Catalonia and the Basque country, the Aznar team arrived to find its financial calculations put out of joint by a slowdown in the economy.

Its first efforts at a grand job-creating pact with employers and unions flopped. Unions were wary, fearing the onpact of spending cuts and privatisations. At the same time, economists questioned whather cnts were adequate to put Spain on course for a 1997 government deficit of 3 per cent of gross domestic prodnct as required for European monetary union. Even the head of Mr Aznar'a newly created budget office suggested it might be better to try using 1998 figures as the reference point for Emu.

Now, however, the government is increasingly confident that GDP growth will be up to about 3 per cent for the year and stay in that range for the next few years, and that the public sector deficit will meet the Emu requirement. The inflation outlook, formerly its biggest worry, has suddenly brightened with falling food prices. Already at their lowest since the 1960s, the next inflation figures are widely expected to bring the 12-month rate below 2 per cent.

But the big comfort factor has been the relative lack of conflict in Spain'a progress towards Emu. Or to put it another way, Mr Aznar'a anxiety to preserve labour peace has not proved costly, at least in tarms of short-term economic results.

With two excaptions – standing up to a one-day public sector pay strike in December, and facing down a two-week hlockade by truck drivers in February – the government has taken a soft line with unions. It made concessions over pension reform and has steered away from shock measures in coal mines and shipyards.

The settlement of Germany'a mining dispute by an extension of state subsidies to the coal industry provided an excuse for Spain to follow suit without objection from the European Union, at least until 2005, giving time to reduce tbe 26,000-strong workforce. The government has also managed to peranade the European Commission to unblock aid for state-owned shipyards without immediate closures or further job cuts.

Above all, it avoided a clash with unions over labour reform. With pledges of incentives to companies, it nudged employers into striking a deal with unions rather than depending on the governmant tn legislate changes. The "joh stability pact", signed last week, promises at least some reduction in companies' liability to high redundancy costs.

But in business circles there is already talk of the need to go further, with more decisive steps to make Spanisb companies competitive in a future single-currency hloc. The Circulo de Empresarios business association says the labour pact is good for Spain's image, but "does not amount to a clear signal for the launching of new business initiatives capable of creating jobs at the rate and volume the Spanisb economy needs".

With new employment largely offset by the arrival of more people on the joh market, Spain's official jobless rate staya stuhbornly close to 22 per cent, far higher than anywhere else in the EU. The government is counting on increased consumer confidence to provide the main motor for growth this year. Bnt, according to opinion polls, public perceptions about the economy are alow to shift. Most Spaniards see their own situation as broadly unchanged.

The self-satisfied government tone is belied by the polls. Recent surveys suggest the PP would not now achieve even the 1 per cent election advantage it won last year. Mr Aznar has failed to pull clear of his predecessor, Mr Felipe González, in the ratings. And he is seen as being at the mercy of Catalan and Basque leaders, wbo bave their own agendas and blow hot and cold about supporting bim through a four-year term.

For all the economic improvement, the difficult circumstances in which the government was formed are still present. Mr Aznar does not have it in his hands to determine how soon he will have to face another election. Nor is it yet clear thet he can win it.

David White

In focus: Spanisb prime minister José Maria Aznar on election day in 1996. A year later, though, it is no longer clear that he would be elected again *Reuter*

Schröder finds inspiration in Blair

By Frederick Stüdemann in Berlin

The election victory of the Labour party in Britain has intensified tbe debate within Germany's opposition Social Democratic party (SPD) over the need to follow in the footsteps of Mr Tony Blair through modernisation and a shift towards the political centre-ground.

Mr Gerhard Schröder, the populist SPD premier of Lower Saxony and a possible challenger to Chancellor Helmut Kohl in next year's general election, told a news magazine that Mr Blair's victory increased the need for a reform of the SPD, which has lost the last four elections to the Chancellor's Christian Democratic Union.

"The SPD wants to win and because of that will have to accept that we must change ourselves. Otherwise there is a big danger that we will be written off as unmodern," Mr Schröder said. The party would also need to appeal more to higber-income gronps than in the past, he said.

A self-proclaimed moderniser who also scores highly in the opinion polla, Mr Schröder is seen by many as the SPD's best chance of dislodging Mr Kohl.

But he faces considerable opposition within the SPD, both from the chairman, Mr Oskar Lafontaine, who also harbours ambitions to run again for the chancellorsbip, and from party members who feel he bas deserted traditional values and is heavier on style than substance.

A decision on who will run against Mr Kobl in antumn 1998 will only be taken at a party congress next April, though some in tbe party want an earlier decision.

Arafat to meet Israeli president

By Avi Machlis in Jerusalem

Mr Yassir Arafat, the Palestinian leader, will meet Mr Ezer Weizman, the Israeli president, at the Erez crossing between Israel and the Gaza Strip tomorrow evening to try to revive the stalled peace talks.

The two will meet as Mr Dennis Ross, the US Middle East peace envoy, begins his latest mission to salvage the peace process. Mr Ross is expected to return to the region today.

The peace talks have been frozen since March, after Israel began building the Har Homa Jewish settlement in east Jerusalem, and after a Palestinian suicide bomber killed three Israeli women in a Tel Aviv cafe a few days later.

The Weizman-Arafat meeting is the first high-level session between Israeli and Palestinian officials since the talks broke down.

Although Mr Weizman's role as head of state is largely ceremonial, he has taken steps to keep the talks alive during past crises, and has co-ordinated these moves with Mr Benjamin Netanyahu, the prime minister.

The Israeli president last met Mr Arafat following clashes last October which left more than 60 Palestinians and 15 Israelis dead.

A government official said Israel was weighing goodwill measures, including reconsidering its policy of denying Jerusalem residence permits to Palestinians who returned to the city after living abroad. But he said halting construction on Har Homa was not an option.

Mr Ahmad Tibi, an Israeli-Arab adviser to Mr Arafat who helped arrange the meeting with Mr Weizman, told Israel radio the Israeli president was higbly regarded hy Palestinians. Mr Tibi said be boped the meeting would address the "roots of the problems which caused the current difficult crisis".

Palestinians have demanded an end to Har Homa as a prerequisite for returning to the negotiating table. Israel has called on the Palestinians to crack down on Hamas, the Islamic organisation opposed to the peace process which has waged suicide bombing campaigns against Israelis.

Meanwhile, Mr Miguel Moratinos, the European Union's special envoy to the Middle East, yesterday met Mr David Levy, Israel's foreign minister, and discussed renewing Israeli-Palestinian talks.

Mr Moratinos, wbo met senior Syrian officials in Damascus last week, also told Mr Levy tbat Syria expressed willingness to find a formula to renew the Israeli-Syrian peace process, which has been frozen since March 1996. "The message I brought from Damascus is a message of peace," said Mr Moratinos.

Russian death rates up sharply

By Chrystia Freeland in Moscow

A Kremlin commission has warned thet Russia faces a demograpbic crisis, saying that over the past decade the death rate has climbed to third world levels.

According the news agency Interfax yesterday, a presidential commission said that 2.2m people died but only 1.4m were born in 1995, a sbarp reversal of the 1989 figures of 2.2m births and 1.4m deaths. The trend continued in 1996, the report said.

Russia's alarming demographics hava been the subject of serious domestic and international studies. "The aim of tbe report is to inform the president and other senior officials of the unprecedented increase in the death rate in the 1990s," the commission said.

According to the report, circulatory illnesses are the main killers in Rnssia, responsible for more than balf of the deaths in the country. Poisoning, trauma and accidents, inclnding motor accidents, follow on the list.

Russia's shift from ceotral planning to tbe market economy has plunged living standards down to the levels of the late 1970s. It has also led to a sharp decline in the qnality of state-snpplied bealth-care services.

Turkish police shut TV station

By John Barham in Ankara

Turkish police closed down an independent television channel at the weekend after it broadcast a live interview with a prominent underworld figure who said senior government figures had demanded "commissions" to approve business deals.

A group of about 50 men stormed the Istanbul studios of Flash TV on Friday night, shouting: "Why did you do this?" and "You will pay for this". They ransacked the building, firing shots at random and threatened staff trying to call for help. Nobody was hurt.

On Saturday, the transport ministry, which regulates telecommunications, ordered Flash TV, a minor television station owned by a wealthy businessman, to close "indefinitely" for using "illegally imported aod operated" equipment.

The station's staff suspect the attack and subsequent closure are retaliatioo for an interview broadcast witb Mr Alaattin Çakici, a gang leader, during which he claimed associatea of the husband of Mrs Tansu Çiller, deputy prime minister, demanded bribes to approve the purchase of a state bank listed for privatisation.

Mrs Çiller, leader of the centre-right True Path party, is already under heavy military pressure to bring down the Islamist-led coalition by puiling her party out of the government. Both ahe and her husband Ozer have faced repeated corruption investigations but three parliamentary prohes have failed to confirm accusations.

Another parliamentary inquiry into high-level corruption failed to make significant headway earlier this year. MPs investigating links between organised crime, the security forces and politicians bowed to government pressura to wind up their investigations early after they summoned both Çillers and senior military officers to give evidence.

Prosecutors demanded that some minor suspects and two True Path MPs, one a former interior minister, be charged with links with organised crime. The government is blocking attempts to lift the two MPs' immunity from prosecution. Police are also being investigated for carrying out gangland killings. Commentators speculate that Mr Çakici is accusing the government after a "business" deal went sour.

Mrs Çiller has offered compliments to some of these gangsters, including Mr Çakici, for services rendered to tbe atate. MPs found that government intelligence officials had recruited criminals, including beroin smugglers wanted by European governments, to assassinate state enemies in Turkey and abroad. Last year Mrs Çiller said: "We respect all tbose who shoot for the state and those wbo are sbot for the state."

Bad times for Bulgaria's banks

People prefer to keep $1bn in jam jars, write Kerin Hope and Theodor Troev

The grimy windows, mud-spattered marble facades and empty cash dispensers of many bank branches around Sofia bear witness to tha virtual collapse of Bulgaria's banking system over the past year.

The wave of closures included five out of 11 state-controlled banks and several aggressive private banks that had appeared to be spearbeading the country's economic transition.

The new pro-market government says it intends to rebuild the banking sector by privatising all six remaining state banks by mid-1998 through direct sales to foreign institutions.

Those that failed to find buyers are to be managed by foreign banks or by Bulbank, the country's biggest commercial bank, under contracts tbat provide for cleaning up the balance sheet in preparation fnr sale at a later date.

Bank privatisation involving foreign partners has become a priority to governments in central and eastern Europe in order to strengthen financial markets, boost investment and eliminate corruption.

Bulgaria's banking crisis has provided a grim example of what can go wrong. The collapse of 14 out of a total of 44 banks under the pressure of rising bad debts triggered a precipitous fall in the valne of the lev, whicb plunged from a rate of 70 to the US dollar to 3,000 before stabilising in February at about 1,500 to the dollar.

The country's foreign exchange reserves melted away as Bulgarian companies transferred hard currency abroad, while local depositors bave become so wary of banks thet they are now estimated to keep the eqnivalent of $1bn in jam jars at bome.

As with several of its neigbbonrs, Bulgaria's efforts to bring the banking sector up to international standards will focus on attracting European banks that have established a presence in the region, such as ING and ABN-Amro of the Netherlands and Raffeisen of Austria.

"One nr two big brand names in internatinnal banking are sbowing a strong interest," says Mr Plamen Ilcbev, deputy governnr of Bulgaria's central bank. "We want to complete at least two deals by autumn. But it's obviously going to be hard to sell all six banks, so management contracts will be very important for strengthening the system."

A awift restructuring of the state banks is important to ensuring the success of the currency board system agreed witb tbe International Monetary Fund, which is due to be introduced by July 1. State banks will play a key role in onplementing the board's restrictive monetary policies, whicb will tie tbe money supply tn the level of fnreign exchange reserves.

The currency board agreement also calls for tighter supervision of Bulgarian banks, including annual audits to international standards and the raising of capital adequacy ratios to 6 per cent tbis year and to 12 per cent by mid-1999.

The six state banks – Bulbank, Express Bank, Hebros Bank, Biochim, United Bulgarian Bank and PostBank – face fewer problems than private banks in meeting this year's capital adequacy requirement.

They bave emerged from the crisis in a stronger positioo because a sizeabla part of tbeir boldings of junk bonds, which were issued in the early 1990s in a domestic debt restructuring, are denominated in US dollars.

The most attractive targets for foreign investors may be the two regional banks, Express Bank, based in tbe Black Sea port of Varna, and Hebros Bank, whicb operates a network of 70 branches from its headquarters in Plovdiv.

"Both banks have a much lower percentage of non-performing debt than the average of around 70 per cent for the system," says a western banker.

"They were more cautious about lending to loss-making state enterprises and have a better record on collecting receivables."

Bulgaria's new parliament will convene on Wednesday to approve a government plan to introduce a currency board on July 1 and tie its national currency to tbe German mark, AP reports from Sofia.

The introduction of a currency board – a panel of Bulgarian and foreign officials – was the key condition for the International Monetary Fund to approve an emergency $657m standby loan this spring.

Mr Krasimir Angarski, the interim minister for economic policy, said yesterday the national currency, the lev, would be tied to the D-Mark because of Bulgaria's aspirations to join the European Union.

He did not say at what rate he expected the lev to be traded. Current trading levels are 865.68 leva to DM1, and 1,495.90 leva to US$1.

IMF missions are expected in Sofia today and on May 15 to finalise the currency board with the new government.

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INTERNATIONAL NEWS DIGEST

Taiwan crimes bring protests

Tens of thousands of Taiwanese took to the streets yesterday demanding the resignation of the premier, in the wake of a spate of unsolved brutal murder cases. The killings have heightened security fears on the island, and are expected to force senior officials to step down soon followed by a cabinet reshuffle in early July.

The interior minister, Mr Lin Feng-cheng, and the national police chief, Mr Yao Kao-chiao, are the most likely to step down.

Although Taiwan's crime rate is low compared to many countries, it is rising, and violent crime – apart from crimes of passion – is a relatively new and shocking phenomenon. There were 149 kidnapping cases last year.

Demonstrators also complained about government handling of Typhoon Herb last year, a recent pig plague sweeping across the island, and government links with big business and organised crime.

In a recent poll, the popularity rating of President Lee Teng-hui plummeted to 48 per cent from a high of 89 per cent just over a year ago. The rating of the premier, Mr Lien Chan, fell to 30 per cent. *Laura Tyson, Taipei*

BankAmerica faces lawsuits

California is preparing to sue BankAmerica, the nation's third largest bank, alleging that it mismanaged atate municipal bond funds.

The lawsuit – which would be similar to the ona brought last week by the city of San Francisco – could be filed as early as today, state sources said.

San Francisco sued BankAmerica and its unit, Bank of America, last Thursday alleging they mishandled hundreds of millions of dollars of bond funds and engaged in a massive cover-up.

This lawsuit – seeking at least $12m in damages – alleged that Bank of America, acting as a trustee, mishandled bond funds issned for low-income housing, schools, fire protection and other public works.

BankAmerica said it could not comment on any state action. The bank did not believe its financial exposure would be "material", and bondholders were in no way at risk. *Reuter, San Francisco*

'Mechanical failure hit flight'

Mechanical failure was the likely cause of the midair explosion on TWA Flight 800 last July, killing all 230 people aboard, the Federal Bureau of investigation said yesterday

"The evidence as we've developed it to date... would lead the inquiry toward the conclusion that this was a catastrophic mechanical failure," the FBI director, Mr Louis Freeh, said on NBC television. "The evidence is certainly not moving in the direction of a terrorist attack. It is in fact moving in tbe other direction."

Neither the FBI nor the National Transportation Safety Board, the lead investigating agency, had reached a formal conclusion, Mr Freeh said. The FBI hoped to make its formal conclusions hy "mid to late summer" in conjunction with the board. *Reuter, Washington*

Business Travel, Page 14

Brazil moves to curb credit

The Brazilian government has introdnced long-awaited restrictions on credit to cool consumer demand in the wake of a further increase in the country's trade deficit.

Mr Gustavo Loyola, president of the Brazilian central bank, announced that from today the tax on credit transactions undertaken by individuals would be increased from 6 per cent to 15 per cent.

Although the tax applies to all goods, tha increase is aimed at reducing purchases of cars and durable goods, which have been partly responsible for a surge in imports, Mr Loyola said. The restrictions apply to consumer loans, car financing and credit cards.

The announcement cama as Brazil recorded a trade deficit of $951m in April, bringing the total in the first four months of the year to $4.63bn, compared with a deficit of $5.54bn in the whole of last year. The consensus forecast for the deficit this year is around $10bn, although some put it as high as $15bn. *Geoff Dyer, São Paulo*

Cook backs Patten on HK

Mr Chris Patten, governor of Hong Kong, will visit London this month to brief the incoming Labour government on the territory ahead of Hong Kong's return to Chinese sovereignty on July 1.

Mr Patten and the new government have signalled continuity in policy towards the territory. But pro-China newspapers bave suggested that Labour's election victory might herald improved Sino-British relations after a series of bilateral disputes over preparations for tha handover.

Discord has centred on China's decision to replace the territory's elected Legislative Council when it resumes sovereignty and on Mr Patten's political reforms. Labour has opposed Beijing'a plans and pledged to defend political freedoms in the territory.

Mr Robin Cook, the new foreign secretary, confirmed at the weekend that Mr Patten would remain in office until the handover and that he had "complete confidence" in the governor.

■ Ms Christine Lob, an independent Hong Kong legislator, yesterday launched a new pro-democracy party formed to promote universal suffrage, free-market economics and environment-friendly policies.

Ms Loh, like many other legislators, will be removed from office at the handover when the Legislative Council is replaced. *John Ridding, Hong Kong*

Bucharest-Kiev peace pact

Romania and Ukraine have finally initialled a treaty of friendship, under negotiation for more than three years. It is expected to be signed by their presidents and ratified by the parliaments before July – before Nato leaders meet in Madrid.

The Romanian government hopes that the resolution of differences with Ukraine will strengthen its case for admittance into the Nato alliance. Romania has been presenting itself as a "pillar of stability" in eastern Europe.

The most important practical dispute between the two countries, that of the sea border, is excluded from the new treaty. The area concerned covers 4,000 square miles and is thought to contain considerable reserves of oil and natural gas. The two countries have agreed to sign a treaty on this within two years, or refer the question to the International Court at The Hague.

In the meantime, there will be a moratorium on exploitation of the area. *Anatol Lieven, Budapest*

Albanian refugees reach Italy

An Albanian refugee ship with up to 1,500 people on board limped into the southern Italian port of Bari yesterday, one of two crowded ships that smuggling gangs attempted to send across the Adriatic.

"There are about 1,000 to 1,500 people on board," a coastguard official said.

Italian television showed the ageing tanker, the Irini, its pale blue paint eaten away with rust, filled to overflowing with Albanians, who were even climbing up two masts on deck.

The coastguard intercepted the ship when it left Albanian waters on Saturday evening and tried in vain to persuade it to turn back. Another Italian coastguard spokesman said there were unconfirmed reports that a second ship packed with refugees also left but was stationary in Albanian waters. *Reuter, Rome*

US phone deregulation bears fruits

By Richard Waters in New York

US telephone users are about to see the first direct savings from long-running efforts to deregulate tha national telecommunications system, thanks to a deal hammered out between federal regulators and AT&T, the largest US carrier, over the weekend.

Costs for some telephone services will rise, however, as cross-subsidies between the country's separate local and long-distance calling markets are abolished.

The Federal Communications Commission's deal with AT&T requires the company, which still handles more than half of all long distance calls in the US, to pass on to its customers all the savings it receives from a cut in its subsidies to local carriers, or Baby Bells.

Known as access charges, these fees total about $17bn in the industry each year, and are levied by the Baby Bells for completing long distance calls over their local networks. The Baby Bells claim much of the money is needed to cover the cost of providing services in uneconomic rural areas, but critics say it has enabled them to keep their profit margins artificially high.

"If the FCC acts to significantly reduce inflated access charges, AT&T will put the money back where it belongs – in consumers' pockets," AT&T said at the weekend.

If other long distance carriers follow suit, the total savings in the first year would be $1.7bn, or about 1 per cent of the amount spent on local and long distance calls in the US each year, with AT&T's share amounting to some $900m.

The agreement marks an important breakthrough for Mr Reed Hundt, FCC chairman, who has the difficult job of bringing about competition in the US telecoms markets in the wake of last year's Telecommunications Act.

Mr Hundt is trying to phase out cross-subsidies without inducing a rise in the residential rate for local calls, which in most parts of the country is set below the cost of providing it. Higher residential rates would invite heavy criticism of the FCC from a Congress which has already become impatient at the lack of headway on deregulation since the act was passed.

Under a plan to be voted on by the FCC later this week, basic residential rates would remain unchanged, but the cost of some other services, including second telephone lines, would rise.

AT&T said it had agreed with the regulators to cut its basic daytime and evening residential rates by 5 per cent, and its weekend and night rates by 15 per cent. These promised reductions come just six months after the company, like other long distance carriers, raised rates. This fuelled concerns that the Telecommunications Act was having the opposite effect to that which Congress intended.

Telecommunications regulators in Canada have moved towards opening local telephone and cable television services in competition, Scott Morrison reports from Vancouver.

Under rulings by the Canadian Radio-television and Telecommunications Commission (CRTC), new entrants will be free to challenge the monopoly on the local telephone market held by Bell Canada and other provincial companies, while telephone service providers will be allowed to apply for broadcast distribution licences.

But implementation of the ruling may be delayed for as long as two years.

Buoyant leaders face budget hangover

By Patti Waldmeir in Washington

"No need to obsess unduly about the federal budget deficit."

That was the unwelcome advice which Mr Robert Reich, President Bill Clinton's former labour secretary, offered during cabinet debates on balancing the budget.

But duly or unduly, they continued to be obsessed about it, as Mr Reich chronicles in his new book *Locked in the Cabinet*. On Friday – after years of wrangling and two government shutdowns – Republican and Democratic leaders finally agreed on a path to end their long wrangle.

Democrats celebrated their impending liberation from the reputation of fiscal irresponsibility with which Mr Clinton began his presidency. Republicans declared a new dawn for conservatism, freed from the stigma of legislative paralysis and ths label of a "do-nothing Congress".

Both sides know, of course, that champagne is premature. They have only a sketch of a balanced budget plan – not a detailed picture. The outline will be coloured in by the Republican-controlled Congress, in some 20 appropriations panels, two tax committees, on the floor of both houses and by the President. There are months of scrapping yet to come.

But at the weekend, the country's political leaders were feeling no pain. Mr Newt Gingrich, the Republican speaker of the house, was claiming the completion of the Contract with America. And the president was bidding for a place in history as the man who restored both fiscal sanity and American economic ascendancy.

Critics immediately attacked the deal for the illusioo of painlessness. Even the politicians admit it was secured only after the Congressional Budget Office suddenly discovered an extra $225bo in revenues, when it revised its expectations for the next five years' growth.

Mr Clinton insists he can balance the budget by 2002 even without 60 more months of strong growth. He says only 11.5 per cent of the $225bn windfall will be used for spending; the rest will go toward balancing the budget more swiftly.

But sceptics doubt s deal could have been struck without divine intervention from the statisticians: they have conveniently pre-shrunk the deficit, leaving the politicians with a far more manageable problem.

The plan they came up with includes some broad-brush figures for tax cuts: a net cut of $250bn over 10 years, with $85bn up to 2002. There are also some shadowy plans for distributing the cuts. Some $35bn will go toward tax breaks for higher education, and there will be unspecified capital gains and inheritance tax cuts. Projected growth in spending on Medicare (health insurance for the eldsrly) will be reduced by $115bn.

One area of omission is clear: there is no provision to legislate a downward adjustment in the consumer price index, which is widely believed to overstate inflation by as much as 1.1 percentage points. Legislating a cut would have been one imperfect way to restrain the rise in spending on social security, because pensions are pegged to inflation. But it would have carried a high political price among pensioners (who vote in large numbers) and the unions.

And it would have given Mr Richard Gephardt, House minority leader and aspirant presidential candidate, a stick with which to beat Mr Al Gore, vice-president and his most likely rival for the Democratic candidacy in 2000. The politicians avoided all that by assuming only a 0.15 percentage point technical adjustment already planned by the government's Bureau of Labour Statistics.

Both sides can claim victory, but the opposite is also true. Critics of the Republican party can rightly point out that tax cuts are only a third the size originally demanded; that Medicare savings are a fraction of whst is needed; and that conservatives have failed in their goal of reducing the size and scope of the federal government. Democratic critics can point out that tax cuts benefit mostly the middle class and wealthy, and that spending cuts fall largely on the poor.

Neither side can confidently predict whether Friday's deal will end partisan paralysis in Washington.

And even if the budget compromise does remove a crucial roadblock, is there an underlying path to pursue? Balancing the budget has so dominated the president's domestic agenda that it is hard to see beyond it. It is too soon to tell whether this deal will rejuvenate a second-term presidency which was looking old and tired almost before it began.

Editorial comment, Page 17

The bipartisan budget blueprint

Bill Clinton

Highlights of the deal

Taxes:
$250bn in net tax cuts over 10 years ($85bn by 2002). Details have yet to be determined. But there will be cuts in capital gains and inheritance taxes, a child tax credit, closure of some tax loopholes and extension of airline ticket tax. $35bn of the $85bn is set aside for tax breaks for higher education

Medicare:
Projected spending on healthcare for the elderly will be reduced by $115bn, by cutting some payments to doctors and hospitals and raising premiums paid by beneficiaries by about $1 a month

New spending:
About $34bn on expanding healthcare for low-income children, on education, and to restore welfare benefits to legal immigrants

Consumer price index:
Plans to legislate a reduction in the consumer price index, to which pensions are pegged, were dropped at the last moment. Federal economists will carry out a technical adjustment of 0.15 percentage points in 2000

Mexico aims to make Clinton visit a success

By Leslie Crawford in Mexico City

No Mexican government has owed as mnch to a US leader as the accident-prone Zedillo administration does to President Bill Clinton, who begins his first state visit in Mexico today.

Mr Clinton staked his personal reputation by leading the unpopular, multi-billion dollar bailout of Mexico during its devastating financial crisis in early 1995.

Two months ago, Mr Clinton again rallied in President Ernesto Zedillo's defence by persuading Congress in recertify Mexico as an ally in the war against illicit drugs. He gave his support despite an outcry in Washington over the arrest of Mexico's top anti-narcotics officer for being in the pay of drug cartels.

Mr Clinton and the 14 members of his cabinet accompanying him can therefore expect a warm welcome in Mexico City.

If Mr Clinton harbours any doubts about Mexico's ability to stem drug corruption, he will not be voicing them in public during his visit.

His Mexican hosts will also be doing their utmost to tooe down their ambivalent feelings towards their northern neighbour, in order to make Mr Clinton's trip a diplomatic success.

Relations between the two countries, which share a 2,000-mile border and $140bn worth of trade, havs always been complex and fraught with intractable issues such as the problem of illegal migration. But over the past year, Mexico's growing eotanglement with drug cartels, and the bitter row over certification that followed, has soured relations to an unprecedented degree.

Last week, Mexico announced it was scrapping its discredited anti-narcotics agency and replacing it with an elite drug fighting corps, in a move clearly timed to placate US criticism ahead of Mr Clinton's visit.

During Mr Clinton's visit, the governments will sign agreements to strengthen co-operation in the detection of money laundering, and to speed the extradition of Mexican drug felons wanted for trial in the US. Mexico recently enacted legislation that makes money lanndering a criminal offence, and Mr Angel Gurria, foreign minister, said Mexico and the US were working together on over 200 suspected cases. The co-operation agreement aims to provide US training for Mexican banking regulators and US software to help track suspicious transactions.

On the perennial problem of illegal migration, however, Mr Gurria said both governments had to work harder to find a common approach. "The US remains focused on building barriers against migration, while our leitmotif has been the protection of the labour and human rights of Mexican migrants, regardless of whether they are legal or not."

Mr Clinton's visit will also include the first meeting between a US president and Mexican opposition leaders.

Slow track to Latin market, Page 17

NEWS: ZAIRE'S REVOLUTION

End of an era in Africa's mineral treasure house

Michela Wrong explains how Zaire's ailing dictator sowed the seeds of his own downfall

When, in October 1996, the BBC offices in Nairobi started getting calls from someone claiming to represent a new rebel organisation planning to topple President Mobutu Sese Seko and march on Kinshasa, the journalists regarded it as little more than an irritation.

Yet another obscure guerrilla movement, they thought, making wild claims and breeding farcical plans. African capitals are full of them. They surface, splinter into factions, then disappear.

Not this time. Seven months on, the Alliance of Democratic Forces for the Liberation of Congo (AFDL), the four-party movement born in the eastern town of Lemera, stands poised to realise what once seemed an impossible dream.

In one of the swiftest military campaigns in modern African history, it has routed Zaire's army, won the right to determine the fate of a country the size of western Europe and is set to end a 32-year dictatorship, ousting one of the last representatives of a post-independence generation of "Big Men".

In the process it has effectively lowered the curtain on the cold war era on the continent and dealt an irreversible blow to France's historical involvement in the region.

The next few days will decide whether the handover will be a peaceful or a bloody one and negotiators are desperately trying to avert the latter. But it is clear that the AFDL will take over Kinshasa and that the Mobutu era is at an end.

If Zaire can reinvent itself, it can unlock its huge natural resources and bring unparalleled stability to war-plagued central Africa. If instead it dissolves into the anarchy that characterised independence, the entire region will pay the price.

Either way, academics will judge the ending of the Mobutu regime as ranking second only to the end of apartheid in its impact on the fortunes of post-colonial sub-Saharan Africa. Not bad for a movement no one had heard of this time last year, whose leader, Mr Laurent Kabila, rarely rates so much as a footnote in books on Zaire.

At first glance, the achievement seems so remarkable it lends itself to all sorts of conspiracy theories. Thus many Zaireans assume that only funding by a US grown tired of an obstreperous ally and greedy for its mineral riches can explain the AFDL's success.

But while history will almost certainly reveal heavy tactical support for the AFDL from Uganda, Rwanda and Angola, it is unlikely to expose a plot on Washington's part.

The seeds of Mr Mobutu's self-destruction were planted long ago, long before the announcement last October by South Kivu's deputy governor that local Banyamulenge Tutsis were *persona non grata* in Zaire triggered their germination.

The Banyamulenge revolt, mainspring of the AFDL uprising, did not occur in isolation. Throughout his career, Mr Mobutu has readily played the ethnic card, exploiting divisions among the country's 200 tribal groups for political gain. "The problem of Tutsi identity in Zaire had existed for decades. If as a regime you repeatedly challenge an ethnic group's existence and then do nothing to prepare for a backlash, you're asking for trouble," says a Zairean academic.

Mr Mobutu did not confine playing with fire to his own territory. He systematically funded guerrilla movements in neighbouring countries, helping to destabilise the entire central African region. When he sheltered Rwanda's genocidal former regime in the refugee camps of Goma and Bukavu, providing a haven from which its leaders could plot their return, he was merely up to his usual tricks. But he went too far when he threatened the survival of Rwanda's new rulers, flush with their recent military successes and outraged by pogroms against Tutsi brothers across the border.

Several new elements had come into play. The geostrategic realities of Africa had changed, robbing him of his traditional western protectors. Public pressure for democratic reform had left his internal hold on power more shaky than at any time since the 1965 coup in which he seized control. And his spreading prostate cancer was requiring intensive treatment in Europe, making it hard to maintain control. The emperor's clothes had vanished long ago, but the moment where the world realised he was naked had finally arrived.

The AFDL revolt has swiftly exposed what military experts suspected for years. Despite its size, Zaire's army is a fighting force in name alone. Terrified of a coup, Mr Mobutu instituted a policy of divide and rule amongst the various security services, destroying any *esprit de corps*. "The Zairean army has never been a war machine. It's an internal security machine whose *raison d'être* is protecting the president," says a military analyst. Even as the rebels have drawn closer to Kinshasa, the myriad security services manning the roadblocks into the city – SNIP, SARM, garde civile, DSP – have been more preoccupied with watching each other than presenting a united resistance. Greed in the upper echelons has destroyed what little morale was left. For decades, Zairean generals have appropriated defence funds, leaving their men unpaid for months. While the fighting was at its height, a former cabinet minister reveals, these army chiefs continued selling weapons bought for a promised "devastating" counter-offensive to the Unita guerrilla movement in Angola. "To us that kind of behaviour seems incomprehensible," says a diplomat. "They were sabotaging their own campaign. But you have to regard these people as gangsters rather than politicians. And a gangster tries to make money until the very last moment."

'You have to regard these people as gangsters rather than politicians. And a gangster tries to make money until the very last moment'

The half-hearted recruitment of white mercenaries, which in a more sophisticated era no longer struck automatic terror in the heart of African troops, has failed to repair the damage. Soldiers have looted, raped and killed their fellow nationals but rarely stood and fought, despite the primitive nature of the challenge mounted. For, as one military expert comments: "This has been a low-intensity conflict. It started off with armoured cars and artillery but in the end it was largely just men moving around in trucks."

The army had behaved in the same way in the 1960s and 1970s, when Zaire's territorial integrity was repeatedly challenged by uprisings and secession attempts.

But then its failings had been compensated by outside forces, as the US, Belgium, France, Morocco and the United Nations leapt to the rescue of a country regarded as a bulwark against communism.

By 1996, the end of the cold war finally registered. The US and Belgium, Zaire's former colonial master, were sick of Mr Mobutu. And after the criticism poured on France for its 1994 intervention in Rwanda, Paris no longer dared to launch a solo rescue operation.

The mass repatriation of Hutu refugees to Rwanda in November made it impossible to disguise such an intervention as a humanitarian mission. For the first time in his career, Mr Mobutu was on his own.

On his own, and surrounded by hostile states happy to exploit a moment of weakness to settle old scores. As Mr Kabila made the transition in western eyes from foreign-backed puppet to home-grown revolutionary, support by neighbouring states for the AFDL became more brazen.

Uganda crossed into east Zaire to wipe out two guerrilla movements and a Sudanese supply base, eliminating the security problem on its western border.

Rwanda pushed the hardline group of former soldiers and militiamen it blamed for the 1994 genocide further into the forest.

Angered by Zaire's support for Unita and separatist movements in its Cabinda enclave, Angola flew AFDL fighters to the border and helped prepare a western front for the attack on Kinshasa.

Zambia allowed the rebels to cross its territory to attack the southern town of Lubumbashi.

Diplomats spoke of AFDL training camps in Tanzania, and arms supplies from Zimbabwe and Eritrea.

By the time the conflict closed on Kinshasa, seven of Zaire's nine neighbours had signalled support for the AFDL. "Kabila's greatest achievement was not the ground he covered militarily, but the territory he won in terms of public relations, how other countries viewed him and his movement," says a diplomat.

The growing anti-Mobutu consensus came as the 66-year-old president's grip was faltering. Following the 1990 announcement of multi-party democracy, Mr Mobutu had shown enormous skill in spinning the transition process out for seven long years, aided by the opposition's squabbling.

But after the ground-breaking national conference, at which Zaire's political class accepted the basic premise that the president should rule but not govern, his growing absence from the political scene attested to his weakening influence.

Marooned on his boat or cloistered in his palace in Gbadolite, 1,200km from Kinshasa, he appeared to have accepted a dilution of his role as long as the mineral revenues needed to keep his entourage in style kept coming in.

"During those seven years there was a gradual shift from Kinshasa to the riverboat, from the riverboat to Gbadolite, from Gbadolite to the Riviera," says an ambassador.

Had he had been in better health, the situation might have remained under control. With his old gift for wheeling and dealing, Mr Mobutu – reported to have sent secret emissaries to Mr Kabila at the start of the conflict – might have succeeded in striking an early deal.

If he had opened talks before his army's disarray became apparent and popular support for Mr Kabila acquired its own momentum, he might have persuaded the rebels to halt in exchange for undisputed control of a buffer zone along the Rwandan border.

But physically, he was simply not up to it. His return in December, during which he stood upright during the drive from airport to residence, exhausted him. Soon he had to leave for another bout of treatment in Europe. He was said to be bleeding internally. In his absence, the government denounced the uprising as a foreign invasion, boasted it would crush it, and pressed on with a doomed military campaign. By the time the regime realised negotiations were better than confrontation, it was too late.

For the AFDL, the hardest part will not be simply the storming of Kinshasa, where Mr Mobutu's encircled presidential guards may decide to stage a last stand.

Guerrilla leaders are usually swift to abandon Marxism and embrace capitalism once they win power and start seeking western funds

They will have to win the hearts and minds of Kinshasa's 5m residents, who have a strong sense of national identity and are sensitive to any suggestion that their new rulers are a Rwandan movement lurking beneath a cosmetic Zairean front. "A lot of people are saying we want Kabila to bring about change, but we don't want him to take power," says a businessman. "We want a real Zairean to lead the country. We are not going to ordered around by a bunch of Tutsis."

Once in control, the AFDL will also have to take more than the members of Mr Mobutu's cliqua into account. Mr Etienne Tshisekedi, leader of the Union for Democracy and Social Progress, the main opposition party, still regards himself as rightful prime minister and expects a key post in a future government.

Elsewhere in the country the AFDL has shown some skill at co-opting opposition parties, exploiting their organisation to its own ends. But in Kinshasa the alliance will come up against some monstrous egos, backed by popular support, with a taste for legalistic wrangling.

And while predictions that Mr Mobutu's fall would herald the fragmention of the nation state have not so far materialised, there is a danger that with the president gone, provinces with autonomous leanings – diamond-producing Kasai, copper-rich Shaba – will start pressing for more than mere federalism.

Such pressures are bound to grow if the AFDL fails to kick-start the corruption-ridden institutions of what often seems a state in name alone. While Zaire has largely been spared the army looting that in the past devastated its crumbling infrastructure, that task remains a Herculian one.

These challenges, analysts say, could coincide with unprecedented strains on the AFDL's unity. With a veteran Marxist at its head but policy apparently drafted by a group of western-educated pragmatists, the alliance often seems a puzzling mishmash of conflicting ideologies.

Its clumsy handling of the refugee crisis, which did the AFDL enormous damage in terms of international credibility, hints at internal scissions and communications problems in a group that started triumphing on the battlefield before it had time to fuse as an organisation.

"This is not a coherent movement. Until now the various parties have been united by one message: Mobutu out," says a diplomat. "But the moment they stop moving their internal contradictions will explode."

French officials, furious at the prospect of Paris's marginalisation, like to dwell on AFDL inconsistencies, Kabila's Maoist past and reports of mass graves in the east to portray the alliance as a new Khmer Rouge, preparing to plunge Zaire into a bloodier, more regressive dictatorship than it ever knew under Mr Mobutu.

But the examples set by Mr Yoweri Museveni in Uganda and Ethiopia's Mr Meles Zenawi – two sources of inspiration for Mr Kabila – show that guerrilla leaders are usually swift these days to abandon Marxist maxims and embrace capitalism once they win power and start seeking western funds.

Since its creation, the AFDL has consistently wrongfooted those who doubted its importance and questioned its capacity to deliver. Today, the very fact this movement from the hills south of Uvira is about to win control of Africa's third largest nation suggests it deserves at least the same indulgence from the west as was shown Lt-Colonel Joseph Desire Mobutu three decades ago.

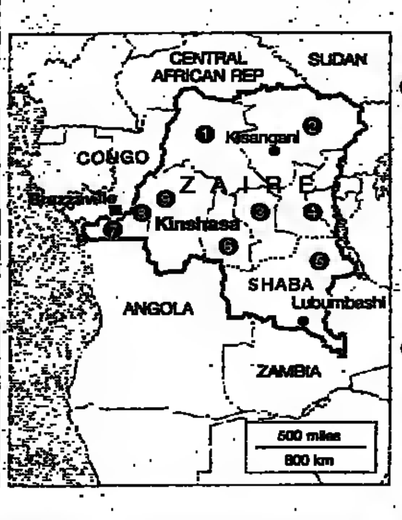
Zaire: rich pickings

1 EQUATEUR
Timber:
Guangdong provincial government (China).

2 HAUT-ZAIRE
Gold:
Office des Mines d' Or de Kilo-Moto (Zaire); Kimin (Belgium), a subsidiary of Mindev (Belgium-Canada); Barrick Gold Corporation (Canada).
Diamonds:
American Diamond Buyers (Canada-USA);
Société Zairoise Minière du Kivu (Belgium).

9 BANDUNDU
Mainly agricultural:
Cassava, maize, rice, plantains.

8 KINSHASA
Oil exploration:
ZAIREP (Belgium-Zaire);
Zaire Gulf Oil (USA-Zaire).
Oil refinery:
Société Zairo-Italienne de Raffinage (Italy-Zaire).



3 KASAI ORIENTAL
Diamonds:
Minière de Bakwanga (Zaire);
De Beers (South Africa);
American Mineral Fields (USA).

7 BAS-ZAIRE
Hydro-electricity:
Inga Dam.
Sugar:
Compagnie Sucrière (Zaire).
Cassava, maize, rice, plantains.

4 KIVU
Gold:
Empain-Schneider (France);
Société Minière du Kivu (Zaire);
Cluff Minerals (UK);
Anglo-American (South Africa);
Banro (Canada).

5 SHABA (KATANGA)
Cobalt:
Union Minière (Belgium-France).
Copper:
Gecamines (Zaire); Consolidated Eurocan Ventures (Canada);
Johannesburg Consolidated Investment (South Africa); State Mining (China).
Zinc:
American Mineral Fields (USA); Anvil Mining (Australia);
IDAS Resources (Netherlands Antilles).

6 KASAI OCCIDENTAL
Hydro-electricity:
Machine Building Corporation (China).

Source: Africa Confidential

Zaire: The Mobutu years

June 1960: Independence from Belgium, under President Joseph Kasavubu; army mutinies five days later. Provinces of Katanga (now Shaba) and South Kasai resolve to secede.
September 1960: Lt Col Mobutu restores law and order
February 1961: Prime Minister Patrice Lumumba murdered
November 1965: Mobutu seizes power in bloodless coup
1966: Creates the Mouvement Populaire de la Revolution (MPR)
October 1971: Country renamed Zaire
1974-75: launches nationalisation programme
March 1977: former Katangese soldiers invade Shaba
May 1978: second Shaba invasion; French paratroops intervene
1990: new transitional government, promises multi-party state
1991: national conference on new constitution opens
January 1992: Looting in Kinshasa, up to 1,000 die; France, Belgium and Portugal send troops to repatriate their nationals.
April 1996: legislative and presidential elections set for May 1997
October 1996 – May 1997: Rebel AFDL movement sweeps out of eastern Zaire to conquer most of the country and reach Kinshasa outskirts; Mobutu discusses terms for standing down

Zaire: The Kabila months

October 1996: Deputy governor of South Kivu province tells 300,000-strong Banyamulenge community – ethnic Tutsis settled there for generations – to leave Zaire. It sparks revolt.
November: Rebels capture Goma, main town in east.
December: Mobutu returns from surgery in Europe, appoints new army chief and reshuffles government. Returns to France three weeks later.
January 1997: Government launches counter-offensive but rebels advance on several fronts.
February: Kabila gives Mobutu two weeks to relinquish power or face all-out rebel offensive; South Africa tries to broker peace talks.
March: Rebels capture Zaire's third city, Kisangani; Mobutu returns from Europe.
April: Rebels capture diamond mining centre of Mbuji-Mayi, capital of Kasai province, and tha second city, Lubumbashi, capital of southern copper and cobalt province of Shaba; UN envoy Mohamed Sahnoun announces agreement in principle for meeting between Mobutu and Kabila.
May: Rebels close on Kinshasa as President Nelson Mandela hosts talks between Kabila and Mobutu aboard a South African ship. Mobutu agrees to stand down but fails to agree terms for his departure. Mandele says he will convene a fresh round of talks in 8-10 days.

'Free-market' rebels to auction mineral contracts

By Mark Ashurst in Lubumbashi

As talks on Zaire's future got under way yesterday, the rebel movement which stands to take over was already drawing up an economic blueprint.

Mr Mwana Nanga Mawampanga, financial commissioner in the rebel Alliance of Democratic Forces for the Liberation of Congo-Zaire has set up his temporary office inside the Bank of Zaire building in Lubumbashi, guarded by a gang of khaki-clad teenage soldiers.

Inside, among the ranks of foreign businessmen queueing at his door last week, was a Zairean exile from Washington. Waving a sheaf of press clippings from American newspapers, he claimed international investors were alarmed by the Marxist heritage of Mr Laurent Kabila, the rebel leader. To improve its credentials abroad, the alliance should devote more effort to winning friends in the west.

Mr Mawampanga dismissed the suggestion. Since Lubumbashi, Zaire's second largest city, fell to the rebels on April 9, he has not needed to court foreign interest. His efforts to demonstrate the rebels' commitment to a market economy have led him to break ranks with De Beers, organisers of the world's rough diamond cartel, and provoked criticism from the biggest South African mining houses.

Mr Mawampanga has thus become the central figure in the contest between rival foreign interests in the country. Last month, after accepting a $1bn tender to develop copper, cobalt and zinc reserves by Toronto-listed American Mineral Fields (AMF), rival bidders privately accused him of granting favourable concessions to companies that have publicly supported the rebels' war effort.

The US-trained financial commissioner hopes the accusations will fade as foreign companies compete for new tenders, and sever ties with the Kinshasa-based Mobutu administration.

While some foreign investors are inevitably wary of Mr Mawampanga's fervour for awarding tenders when the Mobutu government is still in office, he argues that the basic principles of the alliance are clear. "We want lower taxes, sound government and less interference in the economy," he says.

The demands of the war effort will take precedence over calls to postpone further deals until a new government comes to power. "Any government fighting a war needs money. I am not going to wait because some millionaire in Johannesburg or Paris or New York wants all the cards on the table before I can give jobs to my people," he says.

Mr Mawampanga is in the curious position of wielding de facto control over economic policy in the rebel-held territory, while having no access to the financial and other data in Kinshasa. He can only guess at the extent of Zaire's foreign debt – which he estimates at "between $6bn and $10bn" – because he does not have a list of the creditors. Similarly, the true value of the zaire, the local currency, remains a mystery.

Until recently the money supply was controlled from Kinshasa, where, he claims, "the presses were printing at record levels" and batches of new, high denomination banknotes were "dumped" in Shaba province ahead of the rebels' advance.

Perhaps most importantly, the value of the mineral assets currently being pursued by an array of foreign mining groups is largely a matter of conjecture. Last year, Zaire supplied about 20,000 tonnes of cobalt, or one quarter of the market, making it the world's largest producer; but annual copper production has slumped from 400,000 tonnes in the late 1980s to about 30,000 tonnes. Gecamines, the state mining group, has been starved of funds and urgently needs foreign capital to develop new prospects.

But in spite of these problems, Mr Jean-Raymond Boulle, AMF chairman, predicts Zaire's mineral wealth will eventually make it "the Chile of Africa".

Encouraged by such sentiments, the rebel administration is taking steps to change tha relationships between parastatals and foreign companies thet developed during the Mobutu era. Their boldest decision has been to abandon the diamond sales contract between Société Minière de Bakwanga (Miba), the largest diamond producer, and De Beers, the South African group which protects diamond prices by regulating supply through its Central Selling Organisation.

Miba's contract, which guaranteed annual income from De Beers of about $70m per year, has been spurned in favour of an auction to the highest bidder.

Mr Mawampanga denies that favourable terms granted to new investors reflect hostility towards foreign companies that dealt with the Mobutu regime.

De Beers loses contract, Page 20

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UK NEWS: ELECTION AFTERMATH

Blair appoints allies to leading posts

By Stefan Wagstyl in London

Mr Tony Blair, the prime minister, strengthened his grip on the government over the weekend by appointing close political allies to important posts.

Mr Blair sought to promote right-wing Labour members of parliament, who have supported his campaigo to modernise the Labour party, without going too far in antagonising the left. Mr Peter Mandelson, election campaign manager, was made minister without portfolio and given a key role in cbecking that other ministers ran their departments in accordance with Mr Blair's wishes.

There was no room in the cabinet for Mr Michael Meacher or Mr Tom Clarke, two prominent leftwingers, though both were given junior posts. Ms Clare Short, another leading leftwinger, squeezed into the cabinet in the newly created post of secretary of state for international development, responsible for aid policy.

In the Treasury where Mr Gordoo Brown is chancellor of the exchequer (finance minister), Mr Alistair Darling was appointed to the second-ranked post of chief secretary, which carries a cabinet seat. Mr Darling is well-regarded in the business community.

Mr Blair signalled his determination to improve relations with EU partners by appointing Mr Doug Henderson, a moderate pro-European, as minister for Europe, assisting Mr Robin Cook, the foreign secretary.

Mr Henderson replaces Mr David Davis, the Eurosceptic who held the post in Mr John Major's Conservative government. Mr Blair dropped tentative plans to offer the job to Sir David Simon, chairman of British Petroleum, after opposition from Mr Cook.

The Labour leader showed his commitment to reforming the welfare state and cutting excessive spending on benefits by appointing Mr Frank Field, a radical thinker on social security, as junior minister in the social security department. The department's secretary is Ms Harriet Harman, a leading rightwinger.

Labour recognises that it will face difficulties keeping pnblic finances under control without raising taxes, even though it has pledged to leave income tax rates unchanged. The business community has urged Labour to use tax increases rather than interest rate hikes when it becomes necessary to slow the UK's fast-growing economy.

The Conservatives, still shaken by the scale of their election defeat, began to prepare for the race to find a successor to Mr Major, who has resigned as party leader.

Mr Michael Heseltine, a leading contender and former deputy prime minister, pulled out of the contest after being taken to hospital with heart trouble. His departure leaves Mr Kenneth Clarke, the former chancellor, as the main candidate from the party's pro-European left.

On the right, Mr Peter Lilley, the former social security minister, declared himself a challenger to Mr Clarke. Mr John Redwood, another prominent rightwinger, who unsuccessfully challenged Mr Major for the leadership in 1995, said he was "very likely" to stand.

The most unstable relationship is between the new chancellor and foreign secretary

Political rivalry amid cabinet's bewildered joy

By Robert Peston, Political Editor

Trevor Humphries

Gordon Brown (right): chancellor has 'unstable relationship' with foreign secretary

There was a sudden awakening for Mr Tooy Blair's just-created cabinet at Buckingham Palace on Saturday afterooon, when the Queeo inducted the new members of her privy council – which consists of all present and former ministers and other iodividuals, all appointed for life.

"Her Majesty was chatting away to David Blunkett about whether a dog had ever attended a privy council meeting before [Mr Blunkett's guide dog Lucy goes everywhere with him], and I had to pinch myself", said a senior minister. "Crikey, I thought, this is really happening."

Several of the new ministers admitted yesterday that, after 18 years of opposition, they had to make a mental effort to remember that their main task now was to run the country ratber than attack the opposition Conservative party.

"When I read the phrase 'the government's policy is' [in a Civil Service briefing paper] for a moment I forgot they were talking about our policy," said anotber cabinet member.

But for all the bewildered joy among Mr Blair's team, longstanding personal rivalries and animosities between senior Labour figures have not evaporated.

The most unstable of the important cabinet relationships is between Mr Robin Cook, the foreign secretary, and Mr Gordon Brown, the chancellor.

Yesterday afternoon, after one of Mr Brown's friends, Mr Doug Henderson, was appointed to the foreign office in the influential post of Minister for Europe, allies of Mr Cook took no time in pointing out that Mr Henderson would have only a minor role in shaping European Union policy.

Mr Blair probably has no choice but to grin and bear some inevitable squabbles. But in most respects tbe senior appointments in his government appear to be an artful mixture of old-and-trusted Labour hands and Blairite modernisers.

The cabinet bears Mr Blair's imprint very strongly, while paying some heed to the Labour party rule that the initial cabinet should consist of the elected members of tbe shadow, opposition cabinet.

Two of these elected members have been excluded altogether: Mr Michael Meacher, one of the party's last leftwing diehards, who has been made a minister of state in charge of environmental protection, his portfolio in opposition; and Mr Tom Clarke, who has gone to the Department of National Heritage as a junior minister.

Botb were made privy councillors, but neither are overjoyed at their exclusion from the inner circle.

Probably the most unexpected appointment was Mr Frank Dobson as secretary of state for health, one of the most important jobs in a Labour government.

Many people bave assumed thst the rough-edged Mr Dobson would not find favour with Mr Blair. However the prime minister is said to enjoy his blokeish good humour – and as a former shadow health minister in the mid-1980s, Mr Dobson has a strong record in this area.

Other imaginative choices were that of Mr Donald Dewar as Scottish secretary, wbere his ability to master detail will help him steer controversial devolution legislation through the Commons.

The former shadow Scottish secretary, Mr George Robertson, looked increasingly discomfited by Labour's controversial retreats from some elements of its approach to devolution over the past year, so his removal was not a surprise.

He has always seemed more at home with foreign policy issues. His appointment as defence secretary probably plays to his strengths.

Meanwhile, much to Mr Cook's chagrin, the great winner out of Mr Blair's choice of senior colleagues appears to be Mr Brown. All the Treasury appointees are Brown loyalists – and a particularly important one is that of the businessman Mr Geoffrey Robinson as paymaster general.

The chancellor was not comfortable with Mr Chris Smith as shadow health secretary, and it is therefore significant that Mr Smith has been given the heritage secretary post.

Mr Brown wanted oversight of social security, and he appears to have secured this through the appointment of his ally Ms Harriet Harman to the position of secretary of state in this department.

The chancellor will have to keep a close eye on Ms Harman's deputy, Mr Frank Field. "The problem with Frank's record of thinking the unthinkable on welfare reform," said a minister, "is that sometimes he thinks the politically suicidal".

Equally, the decision to retain leftwinger Ms Clare Short in the cabinet in charge of "international development" means another of Mr Brown's allies has a senior role in the heart of Mr Cook's empire. And the new chief whip, Mr Nick Brown, is an old friend of the chancellor.

"The Tony and Gordon show has been running for more than a decade," said a minister, "and it looks like it's going to run and run."

Bankers urge clear signal on Emu strategy

By Wolfgang Münchau, Economics Correspondent

The City of London may halt vital preparations for the single currency unless the new government sets out a clear strategy towards European economic and monetary union, according to a group of leading UK banks.

The warning by the London Investment Banking Association (Liba) reflects discontent in the City about the previous government's wait-and-see approach towards Emu.

In particular, it highlights concern that UK hanks might not prepare sufficiently for Emu unless the government gives a clear signal about the likelihood of UK participation.

In a wide-ranging report on the effects of the euro on London-based capital markets, Liba points out that "if the newly elected government does not convince business interests that the option to join Emn by 2002 is genuine, then commercial plans will he hased on a prospect of indefinite non-participation."

Under the Maastricht treaty, the single currency is scheduled to start on January 1 1999 among countries that fulfil a series of economic criteria. Britain is an unlikely participant in the first wave for domestic political reasons and also becanse of the volatility of the pound against other EU currencies over the last year.

Despite the change of government and the apparent decline in Euroscepticism, most forecasters still expect the UK not to join the single cnrrency straight away, although eventual participation is seen in the City as a strong possibility. The main concern expressed by Liba, and privately shared hy other UK banks, is uncertainty over how long the UK will stay out.

Liba said increased certainty would help London-based banks retain their competitive edge over rivals in mainland Europe, as banks confront the decision on how and whether to prepare for Emu.

Some banks on the mainland are spending np to £150m ($243m) in preparatory work alone, an indication that the decision has important strategic and financial implications. The Bank of England also recently warned UK-based banks not to be complacent.

But Barclays Bank recently caused surprise in the City when it declared it was not preparing to switch over its retail counters to handle dual-currency transactions by 1999. Its wholesale operations – transactions with other banks and financial institutions – would be switched, however.

Other UK banks are also following a twin-track approach towards Emn – preparing their wholesale operations while embarking on a notably slower pace of preparation on their retail side.

UK bankers involved with Emu preparations have admitted privately that the uncertainty of Britain's participation has put Britain's banking sector at a disadvantage against their mainland European rivals.

In its report, Liba says: "Conversion from sterling to the euro is a very complex task that needs detailed planning before any concrete steps are taken. If it is known that the planning has not been done, then the credibility of the option to join will wither away. If the government will not make the necessary plans for the public sector, the private sector will draw the inference and act accordingly by writing off the possibility of UK participation, as well as halting its own planning."

The comment reflects fears that the lack of preparation for the single currency could constitute a formidahle obstacle to UK participation.

Europe minister fit for office

By George Parker, Political Correspondent

Universal Pictorial Press

Douglas Hendersoo's appointment surprised colleagues

Mr Doug Henderson, the minister for Europe, has two outstanding credentials for his new post: he has enormous stamina, and no known views on the subject whatsoever.

The mild-mannered Scot is renowned at Westminster for his ability as a marathon runner, regularly beating tbe former Tory member of parliament and Olympic athlete Mr Sebastian Coe in races around the streets of London.

Mr Tony Blair, the prime minister, will have viewed his physical fitness as a valuable asset in the interminable oegotiations that lie ahead in the intergovernmental conference, starting today in Brussels.

But there was widespread surprise in Labour circles as to why Mr Henderson, an MP with few, if any, pronounced views on Europe, should have been made minister of state at the Foreign Office.

Mr Robin Cook, the foreign secretary, was as surprised as aoybody. While praising bis abilities as a negotiator and a master of detail, officials in Mr Cook's office admitted they had no idea of Mr Henderson's views on Europe.

"He will come to the portfolio with an uncluttered mind," said one seoior Labour official. "It's a pretty surprising choice – I've never heard him mention Europe," said a frontbench colleague.

Mr Blair may have decided Mr Henderson's clean record on Europe would help him negotiate the details of the IGC without arousing suspicioo or bostility from EU counterparts.

Ministers engaged in the negotiations will almost certainly prefer his self-effacing manner to that of Mr David Davis, the belligerent Eurosceptic Tory minister who preceded him in the job.

Still, Mr Henderson's choice is among a number of surprise appointments made by Mr Blair, not least because the post of minister for Europe was one of the most keenly anticipated in the new government.

Mr Peter Mandelson, Labour's campaign chief, and Mr George Rohertson, the former shadow Scottish secretary, were both reported to be in line for the job with cabinet status, and Sir David Simon, the BP chairman, was approached. Ms Joyce Quin, the low-profile shadow minister for Europe, was overlooked.

Mr Henderson, previously a member of Labour's home affairs team, is part of Mr Blair's "north-east mafia" and is also close to Mr Nick Brown, the new chief whip, and Mr Gordon Brown, the chancellor. Almost by definition, be is therefore not one of Mr Cook's circle of political friends.

Beckett acts on business fears

By Stefan Wagstyl, Industrial Editor

Mrs Margaret Beckett, the trade and industry secretary, started her cabinet career yesterday with a pledge to business tbat the government would build "a real partnership" with every part of industry.

"This means building a high-investment, high-skill economy through open and competitive markets at home and abroad," Mrs Beckett said in a letter sent over the weekend to hundreds of companies and business organisations.

The letter was seen in Westminster as an attempt hy the former leftwinger to holster her ties with the business community. In her letter, Mrs Beckett repeated her support for the European social chapter and the minimum wage – policies which have run into criticism from business.

Mrs Beckett promised help for exporters, small companies and developers of high techoology ideas.

The reference to "open and competitive markets" suggests competition policy is bigh on Mrs Beckett's agenda. It is an area in which she has considerable influence through her power over mergers and investigations of anti-competitive behaviour. Among cases which Mrs Beckett inherits is a ruling oo the plans of Bass, the brewer, to merge with Carlsberg-Tetley.

Mrs Beckett will find herself in a key role in assessing plans hy British Airways to pool services with American Airlines in s wide-ranging alliance. While the Office of Fair Trading is ready to give conditional approval, the US authorities have yet to decide. The venture depends on a US-UK open skies agreement on transatlantic air transport.

Bitter laughter greets affaires

DATELINE

Paris: widespread dubious daily practices in French political life would be comical if they were less costly, writes Andrew Jack

If it was not for the hard-earned income taxes and local rates that go into funding them, the dubious practices which dominate much of daily political life in France might seem rather amusing.

Consider tbe case of Jean Tiberi, the mayor of Paris and close ally in the centre-right RPR party of his predecessor, now President, Jacques Chirac.

Last year, Judge Eric Halphen raided his apartment in relation to an investigation toto alleged corruption in public housing projects.

He went unaccompanied, because the head of the judicial police force, officers of whicb normally assist on sucb visits, banned his staff from intervening.

The judge discovered a short report written by Xavière, Tiberi's wife, for which she was paid FFr200,000 (£21,164) by an RPR-controlled local authority close to Paris.

At one point the government hired a helicopter in an attempt to find a judge handling the case who was on holiday in the Himalayas and put pressure on him to slow down the inquiry.

But the Tiberis have now been placed under formal investigation in relation to the report.

Attempting to respond to such events, President Chirac set up a commission at the start of this year to consider whether the judicial system should be more independent from politics.

He pursued his "Mr Clean" image last month when in his television address to call a snap election, be demanded "a renewed political morality".

Le Canard Enchaîné, the weekly satirical investigetive newspaper, however had tha cheek to suggest that the government, if re-elected, would consider ewiftly announcing an amnesty for many of the current *affaires* (a word which significantly means both "business" and "scandal").

According to the reasoning, the politicians of all parties would then heve five years in office to ride out the public backlash.

It has become a cross-Channel cliché during the last few years that the British get upset about sexual scandal, while the French are only outraged by financial shenanigans.

In fact, the French love to gossip as much as anyone else about bedroom misdemeanours. They are simply not normally put into print.

On the other hand, the Gallic response to corruption is often mnted. Much of the explanation for the growing support of the extreme right-wing National Front is less to do with racist sentiment than with disillusionment of voters over the rotten goings-on of the mainstream parties.

Rare indeed is the politician or influential business executive who resigns regarding allegations of scandal – even if only because, as some argue, they are so locked in to their own isolated worlds thet there is nothing else they know how to do.

Rarer still is the top politician or executive who is punished for dubious ectivities.

Alain Carignon, the mayor of Grenoble and former minister of communications, set a notable precedent when be was imprisoned.

As the country's magistrates have begun to find their feet, a handful of others followed, including Bernard Tapie, briefly minister for urban affairs under the socialists.

If one lesson emerges from the recent scandals in France, it is that corruption and other dubious practices unite France's political class more than they divide it, and that there are few distinctions along ideological grounds.

True, Jacques Medecin, the former mayor of Nice who had embezzled large sums over the years and who was jailed after agreeing to extradition from Uruguay, was a member of the centre-right RPR party.

But Jean-Michel Boucheron, the former mayor of Angoulême, who also returned to face trial from Sonth America, was a socialist.

François Mitterrand set up an anti-terrorist cell in the Elysée Palace to organise wide-range phone tapping of individuals, some of whom seemed more a threat to the public reputation of tha former president – in view of their knowledge of his private life – than they were to national security.

But Le Canard Echainé recently highlighted a series of tapping operations which took place under previous heads of state of all political complexions, not to mention estimating that there are some 100,000 taps in operation in France today.

Perhaps one reason for the lack of public reaction to France's wave of corruption cases may be lack of information. While Le Canard has been doggedly digging up dirt for years, the take-up in the rest of the French media had often been minimal.

Many of the newspaper's printed rivals did not take up investigative journalism seriously until the 1980s, while the country's television stations often barely mention scandals even today – let alone sniff around for themselves.

A good number of the French also appear indifferent. Arguably, *some simply* accept that the system works in this way, and are doing the same themselves, or would be if they had the chance.

But for those more morally outraged citizens who want to express their disgust in the general elections later this month, the cross-party nature of corruption means that they will have difficulty knowing which way to turn.

FT GUIDE TO:

JAPAN'S 'BIG BANG'

What is the Japanese "Big Bang?"
A catchy name for e pledge made by Japanese government last November to deregulate its financial markets during the next five years.

Why is it called the "Big Bang"?
It is a reference to the London's "Big Bang", or financial deregulation. The Japanese proposals – called "Bigu Ban" in Japan – are similar to the liberalisation in London and New York during the last two decades. However, the sheer scale of promised change makes them potentially more ambitious.

If the other countries have done it earlier, why hasn't Japan?
The attitude of the Japanese government towards financial markets has traditionally been very different from the US or UK. Since the second world war, its financial system has essentially heen developed as a mechanism for channelling household savings to industry. It has been very tightly regulated and stressed co-operation between financial institutions. Reform was totroduced in the 1980s, but the pace of change has been slow.

So why is the government acting now? Is it because of all the recent bank problems?
Not quite. Japan's banks, securities houses and other financial institutions are plagued with problems, largely because of bad lending and investment decisions made during the 1980s financial bubble. These mistakes partly arose because banks have been been protected from market forces. Reform may prevent these problems from emerging again in the future, but "Big Bang" is not being introduced to bail out some institutions. Increased competition may indeed increase the pressure on them.

So what is the motive for "Big Bang"?
The chief reason is the state of the financial system as a whole. In the 1980s, Tokyo used to be considered one of the world's top three financial markets. Since then it has lost ground, as business has flooded overseas to evoid the regulations and high costs of Tokyo. Without rapid action, there is a real possibility that Japan will face the humiliation of becoming e financial backwater – leaving other places, like Singapore, the real financial centres in Asia.

There is another issue: the maturing shape of Japan's economy, and its pension problem. As Japan's population ages, it needs to find ways of using its vast pool of savings to support future pensioners. It needs to find effective ways of investing these savings – something which the financial system does not really provide.

So what will "Big Bang" do?
It aims to tear down the barriers which divide financial institutions, break up cartel-like behaviour, such as fixed commission charges, and remove rules which determine where money has to be invested. The details of many reforms remain to be thrashed out, and specific proposals should emerge next month. But bewildering changes are ahead. To name a few: corporate pension fund managers will include more disclosure into their reporting this year; foreign exchange controls will be lifted next April; fixed commissions for stockbrokers will be abolished next April; and financial holding companies permitted soon.

But Japan's reform rhetoric doesn't always translate toto action – will this be different?
That is the Y50m question. Since details are still vague, bureaucrats, politicians or industry groups may be able to find ways to block reform in the coming months – if they want to. And there are still important gaps in the plans: reform of the state-owned savings scheme, for example.

But political backing for the project so far seems strong. And when reforms begin to bite, they may make change inevitable. The lifting of foreign exchange controls, for example, was a crucial catalyst for change in New York and London. It is agreed that Tokyo will make the same change next April. That could leave capital flooding overseas unless Tokyo makes itself more attractive as a financial centre.

What will this mean for foreign financial firms?
More business – if the reforms happen. Foreign institutions have buge advantages over many Japanese firms in some areas, like fund management or securitisation.

But what about Japan's financial companies?
That is the other Y50m question. Large groups or niche players will probably survive. However, the impact for others could be painful. There is overcapacity in the financial sector. The logical solution would be a wave of consolidation. But that is not something that Japan has experienced before.

So will foreigners rush in and buy Japanese banks like they did in London?
In the short term, a foreign buying spree seems unlikely: most Japanese institutions are still expensive, some are loaded with hidden bad debts, and the logistics of buying e Japanese group remain difficult. But the issue bas provoked extensive debate and alarm in Tokyo this year. It may become a litmus test of the government's commitment to market reform – and its willingness to accept the painful consequences of letting market forces, rather than government decree, shape Tokyo's financial future.

Gillian Tett

The Monday Profile: Lars Ramqvist, Ericsson

Mobile apostle of R&D

Lars Ramqvist knows all about high expectations. When Ericsson, the Swedish telecommunications group he bas led since 1990, recently announced 30 per cent profits growth and a 99 per cent surge in orders, investors responded by knocking 8 per cent off the company's shares.

The adverse reaction, triggered by slightly weaker margins, was reversed days later as the market digested the figures. But it underlined the intensity of demands on a company which under Ramqvist's tutelage has racked up annual earnings growth of about 50 per cent since 1993.

Since the appointment as chief executive of Ramqvist, an Ericsson executive since 1980, the company has blossomed. Today it is Sweden's biggest group hy market capitalisation and claims to be the largest global supplier of telecoms equipment.

Ramqvist looks half e dozen years younger than his 59 years and proclaims himself more energetic than ever. Given the continued explosive growth of mobile telephony, which accounts for two-thirds of Ericsson's operations, he has cause to be bullish.

"At the end of 2001 we believe there will be almost 600m [mobile] subscribers in the world, from 137m at the end of last year. These are enormous numhers, and they offer huge potential," he says.

Ericsson, with 40 per cent of the world's mobile phone users already hooked up to its systems, is better placed than most to exploit this gold mine. Yet keeping in step with the rapid pace of technological change in the telecoms industry requires nimble footing.

"The higher up we come, so the higher the pressure is. The expectations are never-ending and they are increasingly tough when you are flying high," says Ramqvist.

While Ericsson's sales of mobile phones and networks rise, its margins are under constant attack from competitors – particularly in phones, where rivals include Motorola of the US, Finland's Nokia, the Dutch group Philips, Siemens of Germany and Japan's Panasonic.

"We have great respect for our competitors. Unless we keep moving ahead they could overrun us in a very short period," says Ramqvist.

To stay ahead, Ericsson needs to maintain margins as competition brings e 15 to 25 per cent annual erosion in prices. Hence the unrelenting demand from Ramqvist and his management colleagues for greater efficiency.

"We have to rationalise very, very hard in our production facilities because there is no alternative. You must keep your margins. If yon let things run for one or two quarters you will never come back," he says.

At many corporations, incessant restructuring would undermine morale. At Ericsson, where the average age of employees is 30, change is viewed as a competitive tool.

More than 1,000 new jobs are generated internally every month and last year more than 20,000 of Ericsson's 94,000 workforce changed jobs within the company.

Ramqvist admits the transfers *cost time and money but stresses* retraining and reassigning Ericsson staff to new jobs is cheaper, and better for personnel, than hiring and firing.

Nevertheless, the big investments – Ericsson spent 18 per cent of its sales last year on research and development – are a strain. The company's heavily negative cash flow in 1995 prompted a SKr7.8bn rights issue. Cash flow was again negative in the first quarter of this year, suggesting renewed growing pains.

Ramqvist, however, puts this down to seasonal factors and says there are no plans to raise fresh capital. A trained chemist, he rejects the auggestion that *Ericsson could safely cut its R&D* spending, one of the highest in the industry.

"These investments are building for the future," he says, adding that without heavy expenditure on developing digital mobile phone technology in previous years, Ericsson would not be where it is today.

Some reassessment is inevitahle, though. The growth of outsourcing, where companies contract ont various functions to specialist suppliers, is changing the way Ericsson does business. A recent decision to contract out some assembly functions to two large US companies led to the first large-scale redundancies at Ericsson in Sweden for several years.

The job losses in Norrköping, near Stockholm, where Ericsson is the biggest local employer, drew condemnation from politicians and trade unions. But Ramqvist believes Sweden, where Ericsson has 60 per cent of its production and research but only 3 per cent of telecommunications sales, does not fully understand the exigencies of global business.

"The trend clearly is that additional research and development is linked more to our countries of operation and our customers," he says. "It is not Ericsson which decides this. It is our sub-suppliers and customers."

Greg McIvor

Stephanie Flanders · Economics Notebook

New Labour, new Ireland

The new Chancellor can only envy his counterpart in Dublin

It anyone can imagine bow Gordon Brown felt on Friday entering the Treasury as tbe first Labour Chancellor in 18 years it is Ruairi Quinn. When Quinn became Ireland's finance minister in December 1994 he was the first Labour party politician to hold the post.

Like Brown, Mr Quinn – dubbed "Ho Chi Quinn" in his student days for his commitment to a radical workers' republic – took office determined to prove that the economy was safe in Labour's bands. Also like Brown, be inherited an economy in unusually good shape, albeit one oversbadowed by the looming question of whether to sign up to a European single currency.

Two and a half years on, Quinn has achieved his central goal. Opinion polls suggest that the up-coming election, expected to be called any day, will be a close-run thing. But if voters do oust the Fine Gael-led coalition election few would deny that Quinn has sbown Labour can manage the economy as responsibly as the rest.

Ireland is now on course to meet – indeed, surpass, in some cases – the criteria for joining European economic and monetary union in 1999. General government borrowing is expected to be 1.5 per cent of GDP this year, slightly up on last year's unexpectedly low deficit of 1 per cent of GDP. Independent forecasts predict a 1997 inflation rate of a little more than 2 per cent.

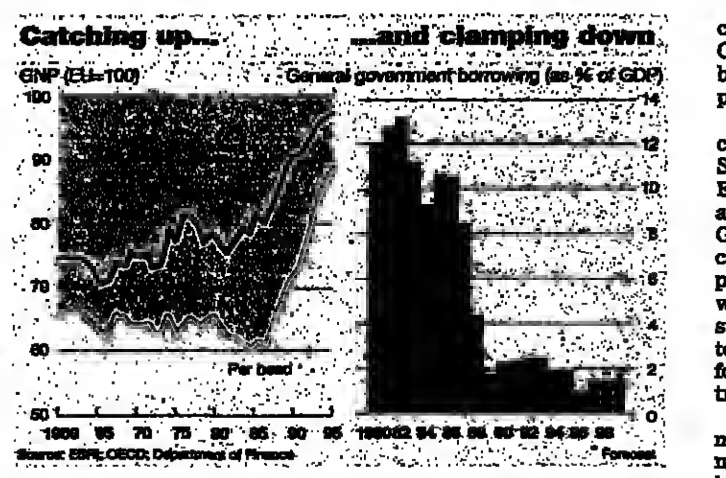
The official forecast for the public debt ratio this year is 69 per cent of GDP. Although technically above the Maastricht "reference vaine" of 60 per cent, the European Commission has long since taken Ireland off the list of countries with "excessive debt" in tribute to the country's impressive deht-reduction efforts. In 1987 the debt ratio was racing toward 120 per cent of GDP.

The independent Economic and Social Research Institute, reviewing medium-term economic prospects, says Ireland has a good chance of eliminating public borrowing altogether over the next three years, even running a budget surplus by 2005. That would bring the debt to GDP ratio down to 30 per cent by 2010.

As the ESRI show – and Quinn freely admits – the present finance minister cannot take much of the credit for this turnaround. Rather, it has been his good fortune to be a "safe pair of hands" at a time when the economy was blessed by uniquely favourable circumstances.

By the end of 1997, GNP (GDP excluding the profits of foreign multinational companies, which do not contribute to national income) will have grown by 5.7 per cent, on average, since 1994. Thet compares with 4.7 per cent average growth during the preceding five years and 3.6 per cent in the second half of the 1980s.

It is easier to keep borrowing down when you are growing 5.7 per cent than when the economy is inching along at 0.4 per cent, as Ireland was between 1980 and 1985. Which leaves two questions: what accounts for this attack of Asian-styla growth? And what lessons, if any, does



the experience hold for the UK's new labour Chancellor?

The ESRI report contains one of the more thoughtful explanations of the much-discussed "Celtic Miracle". The good news, for Gordon Brown, is that the authors consider Ireland's experience to be living testament to the "endogeneous growth" theories he was pilloried for discussing to a speech a few years back. The bad news is that very few of the factors propelling growth to Ireland appear transferrable to New Labour's Britain.

The report argues that the accumulation of buman capital and physical infrastructure – the two growth levers most stressed in the "endogeneous growth" literature – have been crucial to Ireland's success. Rising educational attainment of the laboor force, much helped by the natural growth of the population and many more women going out to work, has raised the supply of labour by an estimated 2.6 per cent a year during the 1990s.

Tha ESRI reckons these factors added about 0.6 percentage points to annual economic growth during the period. But tha report notes this expansion in human capital "contrasts with the situation in many other EU members wbere the labour force is growing . . .slowly and where the major benefits of the post-war tovestment in human capital bave already been reaped."

At the same time, infrastructure investment was boosted considerably by the receipt of EU structural funds under the Community Support Frameworks (CSFs) of 1989 onwards. The CSFs have had a short-term positive effect on demand but also a long-term impact on the growth rate by raising the country's stock of human and physical capital. All told, the economists calculate that between them the CSFs will raise the level of GNP by an extra 3 or 4 percentage points between 1995 and 1999.

These numbers sound small in comparison to the effect of the Single Market project, which the ESRI reckons it will have added about 7 percentage points to GDP by 2000. But the EU funds cama at a critical time, when public investment would otherwise have been falling due to successive governments' efforts to lay the other foundation stone for rapid growth: regaining control of the macroeconomy.

Brown bopes to emulate this more austere aspect of the Irish miracle, sticking to tight spending plans and keeping personal tax rates and inflation down. But that same commitment to fiscal prudence, in the absence of the kind of manna from the EU which Ireland received, makes it difficult to see how he could deliver any of the more "endogenous" pieces of the story.

Ireland is not the UK. Its very low starting position and young population gave it scope to "catch up" with richer European economies faster than anything tha UK could sustain. But as Brown himself noted in that mnch-derided apeecb, human capital and public investment can bave a measurable, albeit very long-term, impact on growth even in mature economies, particularly when the returns to skill and the use of technology are increasing worldwide. The only problem is finding the money to pay for it.

ESRI, 4 Burlington Rd, Dublin 4, Ireland. Tel: 668 6231

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for 4.05.1997 — Final Prices for Trading 06.04.1997

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.01	11.61	11.61	0.06
0100	8.01	11.60	11.60	0.00
0130	9.01	11.63	11.63	0.00
0200	8.01	31.54	[illegible]	1.18
0230	6.01	31.54	[illegible]	1.18
0300	6.01	31.54	[illegible]	1.18
0330	9.00	31.64	[illegible]	1.18
0400	9.00	[illegible]	[illegible]	1.18
0430	7.00	11.60	11.54	1.18
0500	7.00	11.60	11.54	1.18
0530	7.00	[illegible]	[illegible]	1.18
0600	7.00	11.00	11.64	1.18
0630	7.00	11.66	11.64	1.18
0700	6.01	11.60	17.64	1.18
0730	9.00	[illegible]	[illegible]	1.78
0800	11.00	11.65	[illegible]	1.18
0830	11.65	11.45	[illegible]	1.18
0900	[illegible]	11.65	11.60	1.18
0930	12.41	11.65	[illegible]	1.18
1000	12.47	[illegible]	31.67	1.18
1030	12.47	20.25	20.59	1.18
1100	16.82	21.33	21.67	1.18
1130	16.92	32.00	32.34	1.18
1200	33.16	28.95	29.29	1.18
1230	33.16	32.00	32.34	1.18
1300	33.16	32.00	32.34	1.18
1330	17.22	28.95	29.29	1.18
1400	[illegible]	[illegible]	26.22	1.18
1430	16.83	25.89	26.23	1.18
1500	15.79	11.67	11.67	0.06
1530	11.65	11.67	11.67	0.00
1600	11.60	11.67	11.67	0.00
1630	[illegible]	11.67	11.67	0.00
1700	[illegible]	[illegible]	11.65	0.00
1730	[illegible]	[illegible]	[illegible]	0.00
1800	[illegible]	11.65	[illegible]	0.06
1830	11.60	11.61	11.61	0.00
1900	11.60	11.61	11.61	0.00
1930	[illegible]	11.67	11.67	0.00
2000	[illegible]	[illegible]	26.35	1.18
2030	[illegible]	25.65	30.09	1.18
2100	15.76	40.67	41.01	1.18
2130	30.47	40.67	41.01	1.18
2200	30.67	40.67	41.01	1.18
2230	17.22	29.66	30.00	1.18
2300	16.62	17.41	17.75	1.18
2330	16.79	17.41	17.75	1.18
2400	12.41	17.41	17.75	1.18

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement [illegible]

Energy Settlements and Information Services Limited

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

Provisional Price for 05.05.1997 — Final Prices for Trading 07.04.1997

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	9.00	11.00	[illegible]	[illegible]
0100	11.56	11.63	[illegible]	[illegible]
0130	9.08	17.41	[illegible]	[illegible]
0200	10.70	17.41	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

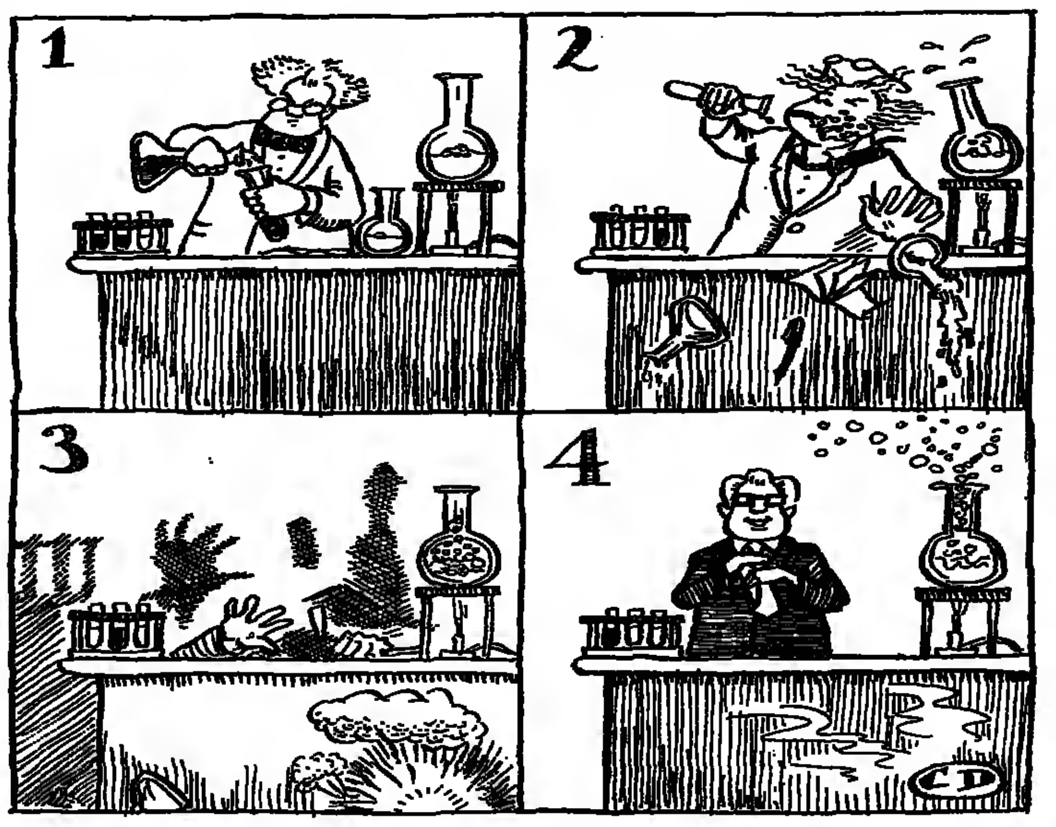
Prices are determined for every half-hour in each twenty-four hour period. [illegible]

Energy Settlements and Information Services Limited

MANAGEMENT

Scientists make lousy managers – or do they? **Vanessa Houlder** investigates

How to convert boffins to bosses



Nature, the renowned science journal, is not noted for passionate outbursts. But when a recent article touched on the subject of management, it did not mince words: "The rise in the dictatorship of the manageriate is lowering the status of scientists, demoralising them and shredding their sense of purpose."

The comment reflects widespread animosity between scientists – and other technically trained people – and managers. Often scientists think of managers as ignorant and bureaucratic, while managers think of scientists as arrogant, difficult to manage and inept at learning management skills.

There is a widely held view that scientists and engineers make bad managers. In recent reports the Bank of England and the Confederation of British Industry both blamed the management weaknesses of scientific entrepreneurs for many of the difficulties of small, technology-based companies in the UK.

Another recent study concluded that companies run by scientists and engineers performed relatively badly. The authors, from the Institute for Employment Research at Warwick University, suggested that technical professionals lacked the communication skills and mental flexibility to make them outstanding senior managers.

Critics say that the UK's problem lies less with the shortcomings of British scientists and engineers than with the failure of British industry to value people trained in these disciplines. In this respect, the UK is at odds with Japan, Germany and the US, where technologists are the driving force behind many rapidly growing companies.

Nonetheless, it would be hard to argue with one aspect of the report – the case for scientists and engineers having more training when thrust into positions of management responsibility.

Researchers tend to be promoted on the basis of their technical success rather than their management skills – although some companies are introducing "dual career ladders" so they can promote technical staff without forcing them into management.

But companies usually have no choice but to look for potential managers among their research and development staff – a project leader who lacked the necessary expertise would find it hard to win the respect of his or her team.

The snag is that the pool of talent may be small, since the personalities that are most attracted to research are often ill-suited to the task of managing people. The perception that technically minded people are not good at dealing with people is widespread.

Philip Wolsey, senior partner of OPDC, a Yeovil-based development consultancy, is dismayed by how many companies see their research staff as "affectionless, logical, cold fish". But while he warns against stereotyping, he believes there is "a grain of truth" in popular perceptions.

R&D staff tend to be deep-thinking introverts, rather than relationship-minded "expressers", says Alexandra Clark, partner of Relay Consultants in Bristol, a development consultancy that works with technology companies.

Iain Rollitt, a development consultant at Hewlett-Packard's computer peripherals business in Bristol, agrees. He adds that the analytical, task-focused traits associated with researchers tend to be found in men. The company is keen to recruit more women technologists. It is also considering "diversity education programmes" to try to increase staff awareness that there may be other ways of looking at problems.

SGS Thomson Microelectronics, which employs 180 graduate engineers and designers in Bristol, is also focusing on "style versatility". Its goal is to make people aware of different approaches – for example, some people like to precede every request for information with chit-chat, while others like to be more direct. "What others might see as a brusque interruption, an engineer might see as to the point," says Philip Morris, training manager.

The course on style versatility is one module in a 15-day programme for project leaders that runs over nine months. Other modules include understanding business contexts, project management, team motivation, coaching, time management and how to wield influence in the organisation.

Influencing skills – which can help win support for a project or smooth a product's path to market – are the basis of one of the most popular of the modules, according to Clark, who advises SGS Thomson. When role-play exercises are videoed, participants get "real insights", says Clark. The art is to encourage people to put as much thought into management issues as they would into a technical problem.

Does this sort of management training work? Although putting a precise value on training is difficult, technological companies seem to go out of their way to make an attempt. Hewlett-Packard has tried gauging improvements in technical leadership skills by viewing coded, but nameless, videotapes of participants before and after the course.

SGS Thomson performs appraisals of participants' skills before and after the course and asks them to fill in questionnaires. The verdict of one set of participants was that the training programme paid for itself "10 to 100 times over", by cutting the time taken to get new products to market.

But many courses fail to meet their objectives. A common problem is that they are insufficiently tailored for technical professionals. "A lot of workshops use simulations and exercises which are unrelated to working environments," says Sue Fowler, human resources manager of GKN Technology.

Understanding the culture of a technical group may be difficult for an outsider. The motivation of people working in "blue skies" research – who may need to think in an unconstrained way to dream up a technological breakthrough – often differs from those in product development, who have to work in cross-functional teams and have a clear understanding of business issues.

Whatever the circumstances, the pressures on researchers and technologists are increasing. The pace of innovation is accelerating, product life cycles are shrinking and company laboratories are increasingly asked to justify their existence.

As the task of managing research gets tougher, the case for increasing the awareness of management issues among scientists and engineers will increase. But the gulf in attitudes between scientists and managers is likely to be slow to close.

"The key point is that technical professionals tend to be cynical and sceptical about management fads and ideas," says David Robertson of Blessing White, a training consultancy. "You have huge scepticism to overcome."

Technical managers' tips

What makes managing scientists and engineers so difficult? One attempt to answer this has been made by Blessing White, a training company that runs courses in technical leadership from Princeton, US, and Windsor, UK.

It has researched the quirks of the group it calls "technical professionals". After studying technology companies at the end of the 1980s, it concluded that staff had special needs, including:

- The desire for autonomy. Scientists and engineers are often highly achievement-oriented and seek motivation from the work itself. They are not much interested in being managed, which "creates a severe challenge for the leader-manager", says Blessing White.
- The need for achievement. They are often driven by a need to accomplish tasks requiring high degrees of skill and effort. If their goals are not aligned with the organisation's, they become demotivated.
- The fear of burn-out. If technical professionals are not making full use of their skills, they feel trapped and powerless. In fields such as the electronics industry, where skills can rapidly get out of date, technical people can get restless and frustrated if they are not keeping up with advances.
- Professional identification. The tie to their discipline – and possibly their professional body – may be stronger than their loyalty to their company.
- Participation in mission and goals. It is usually hard to enthuse technical professionals about organisational goals. However, once they have been convinced of the merits of a goal or project, they tend to identify strongly with it. As a result, a cancellation of a project or a transfer to another project can be very traumatic.
- Collegial support. Although technical professionals tend to be bright, ambitious people with strong egos, an overly competitive ethos can make people feel insecure and damage their ability to take risks. Most technical professionals like to feel part of a group of people who are involved in the same activity, with whom they can share data and knowledge.

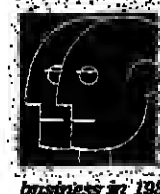
Managers need to understand this, says Blessing White. In addition, they need leadership skills and a knowledge of science and technology to gain the respect of their staff.

Technical managers disregard these points at their peril, says the training company. Traditional management principles only meet with "minimal success" when applied to technical professionals, it says. "Managing technical professionals requires special knowledge, strategies and tactics."

Beautiful team: Karen and Pamela Stevens who have 10 clinics

PARTNERS

Pamela Stevens



Pamela Stevens, 52, opened her first beauty clinic, Pamela Stevens UK, in 1978. Her daughter, Karen, 33, joined the business in 1982. They now have 10 clinics in and around London, four of which are franchised. Their annual turnover is £1.8m.

Pamela: "I couldn't afford any staff at first so Karen would help out in the evenings and at weekends. While she was still at school, I taught her to leg-wax, tidy eyebrows and do manicures. I was a bit miffed when she left at 16 to work at M&S for more money. About three years later I became ill and Karen offered to come back and run one of the shops.

"She never really liked doing treatments, yet loved managing which is one of the reasons she stayed. I'm much more hands-on than her. I won't put anything in my clinics unless I've tried them first.

"When semi-permanent make-up started I had my eyebrows and lips tattooed, it was the same with collagen implants. Karen is the complete opposite. She won't try anything, not even false nails. The only thing she likes is skin care. We can both look at a person and know at a glance whether they're dehydrated or have blackheads.

"One of the biggest challenges in the beauty business is getting people through the door. We give away £500 a month in gift vouchers because we know that women get hooked on having treatments. The trouble with British women is that they don't like to appear vain and won't talk about their problems, particularly things like facial hair.

"It occasionally gets fraught between us because we're mother and daughter, as well as business partners. We recently had some cups engraved with PS yet when I suggested putting PS carpet in all the clinics she said, 'Don't be so bloody pretentious'. Without Karen I'd be much more over the top."

Karen: "The day Mum decided to wash the net curtains in her first shop was the day the business turned around. The clinic wasn't far from some of the massage parlours in north London, so our potential customers just assumed we were in the same business and wouldn't come in.

"Without the net curtains the shop looked more open and accessible which taught us a valuable lesson and is one of the reasons we've become so successful. We never had a game plan, or even thought about expansion, things just seemed to happen. In the beginning it was a bit lackadaisical because Mum knew she could always get another job if it didn't work.

"She'd borrowed £500 for the shop lease from Grandma; we were living in rented accommodation so it wasn't as if anyone could take anything away from us.

"As there's only two directors and shareholders the business is run very informally. Decisions get made by natural progression, like the franchise package. It gives us an opportunity to take our clinics outside London. When Mum first opened in Holloway people said, 'My God, who is going to use it?' Our attitude has always been: women don't have to live in Knightsbridge to look good."

Fiona Lafferty

Managing separation after that perfect relationship

Lucy Kellaway

At some point this month I will be called in by my team leader for a career chat. This is an annual date in the diary, and tends to take a predictable form. They say their bit and you say yours, and no one is left much the wiser. The minutes are subsequently written up, signed by both parties and filed away nice and tidy.

Compare this to how they do things at Motorola. That progressive US company doesn't have career chats. It has Individual Dignity Entitlement Programs, which take place four times a year. Every quarter all employees are asked such questions as: "Do you have a personal career plan, and is it exciting, achievable and being acted upon?" and: "Do you receive candid positive or negative feedback at least every 30 days that is helpful in improving or achieving your career plan?" These kind of questions are so alien that if I possessed a personal career plan I would add a PS to remind me never to apply for a job at Motorola.

The Individual Dignity Entitlement Programme is mentioned in the current issue of Strategy & Business, the magazine of Booz-Allen & Hamilton, as a shining example of something the magazine calls "New People Partnerships". This is the perfect relationship that is supposed to exist between employer and employee in an age when there are no longer jobs for life. The general idea is that employees "own" their own careers, and that employers support them in realising their full potential whether that involves staying with the company or moving on.

In this brave new world quitting a job or being fired become things of the past. Instead, what happens is that the partners "separate". Companies, the magazine warns, must learn to manage separation as something perfectly normal, but must also be firm about "separating those who consistently underperform".

Companies can set up New People Partnerships. They can help employees "own" their careers and design appraisal systems – sorry, dignity entitlement systems – to that end. But when it comes down to it, nothing much has changed. The ones who do not perform get chucked out, same as before. You can call it separating, and pretend that it is natural. But when it happens to you, you will know: you've been fired.

Work is a struggle. It mostly has been struggle. It mostly will be struggle.

I did not write these words myself. They were written by David Whyte, a poet, in a volume called *The Heart Aroused* that has just been published in a British edition by the Industrial Society. This rare flash of insight (most management writers pretend that work is anything but a struggle) stands out in what must otherwise be one of the most pretentious business books ever written. Open it at any page and you will find something like this: "We live . . . between two fires, one hot and one cold . . . and as poets or managers we must intuitively wonder in which element we are eventually to perish."

Whyte says at the outset that, by virtue of his skills as a special creative person, he is going to have trouble writing this book. "I grew fainthearted at the prospect of melding the fluid language of the soul with the dehydrated jargon of the late 20th century workplace."

But thus it makes one feel quite fond of business jargon – compared to the waffle of the soul it is satisfyingly precise. One hopes that *The Heart Aroused* is a one-off. It makes one long for the Industrial Society's more traditional titles such as *Finance and Budgeting for Line Managers*.

At last we know: there are 800 different personality types. Success Dynamics International, an outfit that specialises in psychometric testing, has reached this interesting conclusion, and has developed a brand new tool to help you identify these 800 varieties and make it easier to find the right people for teams.

It is, of course, ridiculous to say that there are x or y number of personality types. The number depends on the question you are asking. You could argue that there is only one type – we are all human, after all. Equally you could say that there is an infinite number, as all of us are different.

The attempt to find 800 varieties says more about the fierce competition in the psychometric consultancy industry than it does about human nature.

Instead of blinding us with science they should remember that from the point of view of the recruiter there are just two types that matter – people who will do the job well, and those who will not.

BUSINESS EDUCATION

Della Bradshaw visits Warwick business school which specialises in sponsored research

Message misunderstood

Warwick business school has one very basic problem to overcome when it tries to attract American students: they cannot pronounce its name properly. But Warwick (pronounced Worrick), situated in the heart of England, faces other problems getting its message across in the US.

"A real major issue for us is to be recognised in the States for what we are and what we are not," says Bob Galliers, Warwick chairman. "We are not an ersatz American business school. If I wanted to go to a US business school then I'd go to the US."

Unlike London business school, which runs a two-year MBA programme similar to those offered by US schools, Warwick runs a one-year full-time programme with part-time and distance learning equivalents. The average age of students on entry is 29.

Fewer than half the students are from the UK and at the last count more than half the MBA graduates went into industry, rather than consultancy or banking.

Widely regarded as one of the most influential business schools in the UK and Europe, Warwick, which was founded in 1967, has always set its stall out as a research-led school run on strong commercial lines. "The trick is to perform financially. If you can't wash your face in a commercial world it's a bit of a worry," says Galliers.

Indeed, 80 per cent of the business school's income of £10.62m is generated by its links with industry – unlike many schools in the US and Europe which generate the lion's share of their funds through course fees from degree or executive programmes, endowments or through government subsidy.

At Warwick, each member of the academic and research staff generates an average of £24,000 of research income a year, the highest figure in the UK. Each has one day a week on their timetable allocated for research and a further day which can be used for further research or other interests.

"Warwick always set out to be research-led with strong links with industry. Research permeates every pore," says Galliers.

He dismisses sceptics who say that sponsored research equates to biased research, saying that all the big European business schools are in partnership with industry. Much of Warwick's money comes from a club approach to funding: a number of organisations sign up to sponsor a piece of research which is relevant to them, and in return they get early release of the research information.

The nine specialist research centres include financial options, management under regulation, corporate strategy and change and local government. "Quite often the benefit is being in the club and sharing experiences with other members," points out Galliers.

The acknowledged weak spot for the school is a shortage of executive courses, a market overlooked while Warwick concentrated on developing the research base and MBA programme. Galliers sees that as his next big challenge. One approach will be to combine short courses with research activities, creating a "synergy", as he puts it, between the two.

A relative newcomer to the top echelon of business schools, Warwick is not resting on its laurels. "There's no way we're complacent," says Galliers. "We were relatively little-known 10 to 12 years ago. There's no reason why, with astute appointments and a will to succeed, other business schools can't move ahead."

Galliers: the Warwick chairman believes business schools should hold their own in a commercial world

NEWS FROM CAMPUS

Pulling out of the masters maze

Following the decision last week by Amba, the UK's Association of MBAs, to go it alone on accreditation of European MBA courses, the Association of Business Schools has decided to pull out of MBA accreditation altogether. ABS had hoped to set up a joint accreditation scheme with Amba for UK courses.

Instead, the ABS has decided to concentrate on promoting quality in its core market of undergraduate business studies. It will also co-operate with EFMD, its European equivalent, on whole school accreditation.

ABS: UK, (0)171 837 1899

Chinese ventures under scrutiny

How to draw up contracts for joint ventures in China will be the subject of a conference at the Katz school at the university of Pittsburgh on May 16.

The conference will bring together academics and business people including Nobel prize winner Ronald Coarse.

Katz: US, 412 648 1500

Favourable loans for London students

Students from central and eastern Europe and central Asia can now apply for favourable loans to study at London business school under a scheme instigated jointly by ABN Amro and the European Bank for Reconstruction and Development. The scheme already funds students from those areas to study at Iese, in Barcelona, and Insead, in Fontainebleau.

Launched in early 1995, the scheme gives loans to students without security. The loan is paid off over 12 years, starting six months after graduation.

LBS: UK, (0)171 262 5050

Spanish eyes on Canadian students

This year's winner of the International Case Competition, organised by Iese in Barcelona, is the Richard Ivey school of business at the university of Western Ontario. The Canadian team beat teams from Chicago, Rotterdam and Michigan to take the prize.

Iese: Spain, 3 204 4000

Light goes out for tobacco ads

Alison Smith reports on the likely extent of Labour's promised ban

From the machismo of Marlboro man to the snbtle images of Silk Cut, cigarette advertisements are now an endangered species in the UK.

But while the Labour government's commitment to stub out tobacco advertising is well known, the form and extent of the ban is still uncertain.

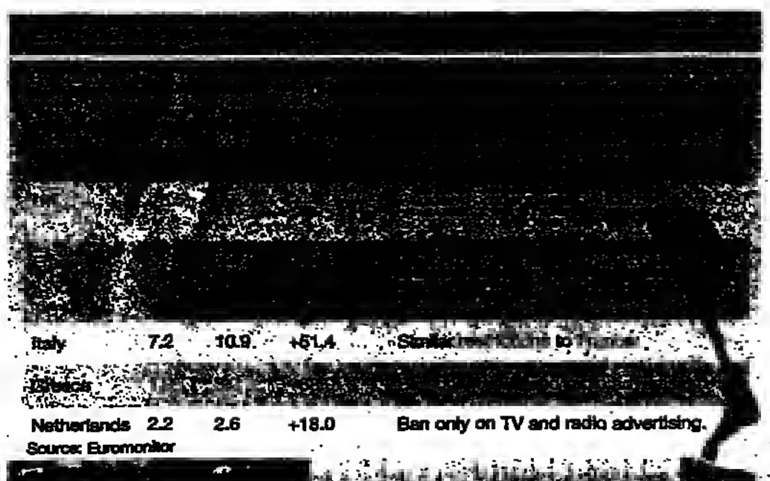
This is more than a matter of detail. The scope of the ban will determine what room for marketing manoeuvre remains open to tobacco companies – or whether it would come down to a price war.

Labour's clear pledge is to ban advertising itself. In the UK, this would mean the loss of tobecco advertising revenue of more than £15m e year to the companies which own poster sites and billboards.

Outdoor advertisers, however, sound relatively relaxed at the prospect of e ban. They point out they have already reduced their reliance on revenue from tobacco ads compared with five years ago, when tobacco brands such as Rothmans would have almost permanent advertising in prime sites.

"There will be a short-term effect," says Alex Ward, sales director at Maiden, one of the UK's larger outdoor advertisers, "but ontdoor is ettracting new advertising all the time."

A ban on sports sponsorship is more in doubt. Chris Smith – now national heritage secretary – speaking when he was shadow health secretary, said discussions abont this form of promotion are continuing within Labour. "We need to ensure action on sponsorship and promotion is taken in such e way thet sporting activity does not suffer."



But a decision to allow this sponsorship to continue would be met with fury from the anti-smoking lobby, especially as some European countries, including Germany, *already have such* a ban.

Moreover, a report by Euromonitor, the market research consultancy, to be published next month says restrictions on other forms of marketing mean "the route of sponsoring major sporting events that achieve wide coverage on television and other media has become the preferred option".

This is particularly important in the UK, with well-established links between Benson & Hedges and cricket; Embassy and darts.

There is also the question of direct mail. This does not attract the same level of hostility from the anti-smoking lobby as poster edvertising, because billboards get a widespread andience which includes children and other non-smokers who may be tempted to take up the habit.

Even so, the prospect thet at least some of the £50m e year spent on tobacco advertising will switch to direct marketing can scarcely be what campaigners for an advertising ban had in mind.

But there are already signs that tobacco companies are increasing their activities in this aree. For example, Silk Cut has begun producing a free magazine for its smokers.

"Many of the promotions on cigarette packets are about collecting data. They are working very hard at building up loyalty," says David Robottom, director of *development* et the Direct Marketing Association.

Including direct mail in a ban would not be straightforward, however. David Muir, head of new business at ad agency Ogilvy & Mather, which has analysed the impact of a tobacco ban, points out many direct mail promotions are delivered as letters drawing attention to special offers.

These cannot easily be distinguished from other forms of correspondence sent out by companies. "Direct mail is very hard to define for the purposes of legislation," he says.

So the government faces some hard questions on the scope of a new restriction.

In deciding its form, it is more a matter of being spoiled for choice. Ministers could take primary legislation through the *UK parliament*, or try to tilt the balance in the EU council of health ministers by supporting an EU-wide ban. Snch a ban currently lacks the majority it needs. This would particularly effect countries with liberal laws, such as the Netherlands and Greece.

Diversity drives Coca-Cola campaign

In 1971, Coca-Cola put a multi-ethnic crowd of 200 youngsters on a hilltop in Italy and conducted them in a heart-warming rendition of "I'd like to teach the world to sing." In doing so, it came up with what many regard as the best television commercial ever made; certainly, it remains one of the most memorable.

The advertisement emphasised the global appeal of Coca-Cola, and was shown around the world. But times change, and Coca-Cola no longer believes in what it calls the one-sight, one-sound, one-sell approach. By trying to talk to everyone et once, it fears, it may reach no one very effectively.

Four years ago, Coca-Cola replaced single-theme advertising with the "Always Coca-Cola" campaign that has been running ever since. The most notable aspect of the campaign is its sheer diversity: it comprises a big portfolio of advertisements, each of which addresses its eudience in a different way.

Last week in New York, Coca-Cola previewed the latest phase in the "Always" campaign – a set of 16 new television commercials that will go on air around the world in the next few weeks.

The advertisements use a variety of production techniques including animation, live action and compnter-generated special effects.

The different storylines are intended to reach different target audiences, ranging from teenagers to pensioners. Different countries will select different advertisments from the portfolio.

One example, directed by James Ivory of the Merchant-Ivory film-making partnership, parodies Shakepeare's King Lear. The king decides to giva his throne to the daughter who loves him most, and chooses the youngest because she presents him with a supply of ice-cold Coca-Cola.

A derring-do live action spot follows climbers as they scale the sides of gigantic rock formations in Moah, Utah, refreshing themselves with Coca-Cola on the way. When they reach the top, they discover a Coca-Cola banner across the shape of a shape of bottle formed by the edges of the rocky outcroppings.

Another ad uses animation techniques to portray a cartoon Super Mom who protects the world from evil while still managing to rum the home. Using her super powers, she deflects a meteor on a collision course *with earth, but nevertheless* finds time to stop at the grocery store on the way home to buy some Coca-Cola for the kids.

Although the "Always" campaign is long in the tooth, Sergio Zyman, Coke's chief marketing officer, says it will run as long as it's working. With Coca-Cola's world-wide volumes up 21 per cent during the last three years, "all I can say to yon is: look at the numbers."

Richard Tomkins

Proof lies in the profitability

WINSTON FLETCHER

During recent weeks the normally quiescent advertising trade press has reverberated to e noisy fusillade of arguments sparked off by that most inflammatory of subjects: the power of advertising.

The bettle has raged around the future of the IPA *Advertising Effectiveness* Awards. Unlike the cornucopia of creative ewards for which advertising is infamous, these gongs are given to case histories which "prove advertising's contribution to business success".

The IPA competition was founded at the end of the 1970s and in the past 16 years some 650 case histories have been entered for the glittering prizes. Together, these entries constitute the most comprehensive and anthoritative collection of advertising case histories to be found anywhere in the world.

They provide a rich picture of advertising at work in an advanced economy at the end of the 20th century. Not how people think it works, or hope it works, but how it does work, in practice and in detail.

In the late 1970s, many people were sceptical about whather advertising achieved anything at all. *They knew, as almost every*one does, the meaningless aphorism usually (bnt unprovenly) attributed to the late Lord Leverhulme: "Half my advertising is wasted, but I've no way of knowing which half."

To counter such scepticism – *do I mean cynicism?* – the IPA awards set out to prove, and have resoundingly done so, that well-planned, well-executed advertising generally generates healthy sales increases.

As a result, in my view – a view vigorously ettacked in the trade press *skirmish* – things have changed.

Today, partly because of the success and authority of the IPA awards themselves, there isn't anyone with any nous who doesn't think advertising works in the basic sense that it always causes at *least* a *ripple in* the marketplace.

Economists believe it, and worry ebout advertising's power to hinder competition. Politicians believe it, as their massive pre-election spends have just demonstrated. The City certainly believes it, and lambasts *companies* who spend too little on the protection of their brands.

And retailers know advertising works as it makes their check-outs go bleep-bleep-bleep, every day of the year except Christmas.

Today, I believe, the question *is not whether advertis*ing works, but how much it works. It is not whether advertising will achieve a sales blip, but whether it will achieve a sufficiently big blip to pay for itself and more. In *other* words, will the campaign be profitable, and *if so, how long will it* take to pay off?

Those are the questions finance directors ask, and rightly. Therefore it is on the profitability of edvertising that I believe the IPA ewards must focus in future.

Opponents of this view, however, con*tend* that: *(a)* not all advertising is intended to generate measurable profits, and certainly not in the short run; (b) measuring the results of advertising is still fer from an exact science; and anyway (c) measuring profits on a brand-by-brand *basis is* largely arbitrary, as every company goes about it in a different way.

None of which negates the central point: the bulk of advertising is intended not just to increase sales, but to be profitable.

The difference can be demonstrated most clearly in direct response advertising. Almost every direct response ad pulls in some measure of response – maybe a *few* coupons and telephone calls, maybe an *avalanche*.

But unless the response is more than sufficient to cover the advertising cost, it's a booboo. No direct response advertiser would congratulate himself on pulling in coupons – and losing money.

Exactly the same principle *applies to* brand advertising – except the results can be much more complex.

But the direct response analogy spotlights a critical aspect of advertising that is almost universally misunderstood. Nearly everyone – from Lord Leverhulme *onwards* – imagines it to be a black or white, win or lose activity like betting.

But advertising isn't like betting. Results come in shades of grey. As direct response advertisers know, advertisements generate varying shades of success *and failure* – a continuum from high response to low or, very occasionally, nil response.

This is why measuring results by profitability, not sales alone, is crucial. The advertising industry likes to argue that advertising is an investment. Investments are intended to generate profits. So is advertising.

Inevitably the level of profitability will vary. Some investmants are massively profitable, some just break even, some make losses, small or large. Again, it's the *same with advertising*.

Nowadays, using econometric analyses, the profitebility of campaigns can usually be evaluated with considerable eccuracy. But there are Luddite vested interests – in agencies and client companies – *restraining this process* because they are fearful of its possible outcome.

That's plain dumb. If the business is to prove that advertising is an investment, and not a bet, profitability must be the focus of its future attention.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ YESTERDAY

Atlas Copco A SKr3.75
Do B SKr3.75
Cosmos Sec FRN Y1239726.0
CrestaCare 0.65p
Dicom 0.8p
Wassall 5p

■ TODAY

Abbey National 17.4p
Armour Tst 0.48p
BPP 9p
Bridport-Gundry 1.8p
British Airways 9½% Nts 1997 £95.0
British Petroleum 5.25p
Burford 1.15p
Capital Shopping Centres 4.5p
Clarke (T) 3.256p
Courtaulds 6% Cm 2nd Pf 2.1p
Fleming Natural Res Inv Tst 0.54p
Green (Ernest) 2p
Halifax Bldg Scty 7⅜% Nts 1998 £73.75
Lasmo 2p
Lewis (John) 10¼% Bd 2006 £102.50
Liberty Int 8.75p
Low & Bonar 10.7p
Malaya Grp 0.33p
Omnicare 1p
RPS 2.15p
Select Appointments 2p
Sirdar 1.79p
Slough Estates 10% Bd 2017 10p
State Elec Comm of Victoria Gtd Nts 2007 A$121.80
Television Corp 2p
Treasury 7% 2001 £3.50
Volvo A SKr4.30
Do B SKr4.30
Whitbread 7¼% Un Ln 1995/99 £3.625

■ TOMORROW

Admiral 1.54p
AGA B SKr2.70
Bradford & Bingley Bldg Scty FRN Feb 1999 £156.97
Bristol & West Bldg Scty 13⅜% Perm Int Brg £66.875
Conversion 9¾% 2003 £4.875
EFT 1.875p
Fisher (James) 1.75p
Hoechst Br DM1.40
Do Dep Cts DM1.40
Jardine Strategic Cv Pf (Bermuda) $75.0
Do (Jersey) $75.0
Do (Singapore) $75.0
NECA 0.5p
PTS 2.6p
Smith & Nephew 4% Cv Bd 2002 £40.0
Sumitomo Metal Inds 7⅛% Bd 1999 Y712500.0
WSP 1.3p

■ THURSDAY MAY 8

Cortworth 4.4p
Domestic & Gen 14.5p
Dowding & Mills 1.13p
Flomerics 3p
Guiton 2.84p
Mersey Docks & Harbour 8.75p
Nippon Paper 6.3% Nts 1997 Y630000.0
Nottingham Gas Anns £1.625
Refresh Tranche A Perp FRN Y1190137.0
Do Tranche B Perp FRN Y1239726.0
St. Andrew Tst 6.5p
Sumitomo Metal Inds 7⅛% Bd 2001 Y712500.0
Walters (Robert) 1.5p
Waste Recycling 1.5p
Wimpey (George) 3.5p

■ FRIDAY MAY 9

American Express $0.225
Bilston & Battersea Enamels 1.5p
Capital & Regional Props 2p
City Technology 1.45p
Community Hospitals 3.9p
Dairy Farm Int Cv Cm Pf (Bermuda) $65.0
Do (Hong Kong) $65.0
Do (Jersey) $65.0
Ericsson Ser B SKr2.50
Fife Indmar 2.3p
Fitch 0.5p
Framlington Inc & Cap Tst 1p
Gibbs & Dandy 2.25p
Do A N/Vtg 2.25p
Halos 8⅜% Db 2018 £4.1875
Inspec 4.2p
Int Bank for Reconstruction & Dev 11½% Ln 2003 £5.75
Monteagle $0.08
Pall $0.14
Rea Brothers 0.5p
Second Market Inv 6p
Trafford Park Estates 1.1p

■ SATURDAY MAY 10

Inchcape 6¼% Cv Sb Bd 2008 £31.25

■ SUNDAY MAY 11

Home Housing Assoc 8¾% Gtd Ln 2037 £4.375

UK COMPANIES

■ TODAY

COMPANY MEETINGS:
Argent Group, The Brewery, Chiswell Street, E.C., 3.00
Davis Service, Glaziers Hall, 9, Montague Close, London Bridge, S.E., 11.00
Quarto Group, *The Old* Brewery, 6, Blundell Street, N., 3.00
Unilever, Q.E. II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.00

BOARD MEETINGS:
Finals:
Aminex
Lambert Smith Hampton
Linton Park
Warnford Invs
Interims:
Network Tech
Royal Bank of Scotland

■ TOMORROW

COMPANY MEETINGS:
Beechcroft, 1, Westminster Way, Oxford, 10.30
Booker, Institute of Directors, 116, Pall Mall, S.W., 2.30
Cape, Farmer and Fletchers' Hall, 3, Cloth Street, E.C., 12.00
Fairey Group, *Founders' Hall,* 1, Cloth Fair, E.C., 12.00
Garton Engineering, Molineux Conf & Banqueting Centre, Waterloo Road, Wolverhampton, 12.00
Hodder Headline, *338,* Euston Road, N.W., 10.00
Litho Supplies, Edgwarebury Hotel, Barnet Lane, Elstreet, Herts, 2.00
Richardson Westgarth, 55, Colmore Row, Birmingham, 10.30
Wates City of London Properties, Britannic Tower, Moor Lane, E.C., 10.30
Wilson Bowden, Grand Hotel, Granby Street, Leicester, 12.00

BOARD MEETINGS:
Finals:
Beattie (James)
Bertam (Hldgs)
Fleming Far Eastern Inv Tst
Rowe Evans Invs.
Sainsbury (J)
Whitbread
Interims:
Bellway
Murray Enterprise
Northern Venture Tst
Tate & Lyle

■ THURSDAY MAY 8

COMPANY MEETINGS:
BTR, Q.E. II Conference Centre, Broad Sanctuary, Westminster, S.W., 11.00
British Polythene Industries, 96, Port Glasgow Road, Greenock, 12.00
Central European Growth Fund, Brewers Hall, Aldermanbury Square, E.C., 11.30
Claremont Garments, 222, Grays Inn Road, W.C., 10.30
Croder Intl, Painters' Hall, 9, Little Trinity Lane, E.C., 12.00
CU Environmental Tst, St Helen's, 1, Undershaft, E.C., 12.30
Financial Dynamics, 30, Furnival Street, E.C., 9.30
Hambro Countrywide, 41, Tower Hill, E.C., 10.30
Hammerson, 100, Park Lane, W., 10.30
Kalon Group, Huddersfield Road, Birstall, Batley, 11.00
Lopex, Howard Hotel, Temple Place, W.C., 11.30
Midland Independent Newspapers, Natl Motorcycle Museum, Coventry Road, Bickenhill, W.Midlands, 11.00
Mirror Group, Cabot Hall, Cabot Place West, Canary Wharf, E., 11.30
Prudential Corp, Plaisterers Hall, 1, London Wall, E.C., 12.00
Scholl, *Strathmore Hotel,* The Arndale Centre, Luton, Beds, 10.30

BOARD MEETINGS:
Finals:
Body Shop
Oxford Molecular
Romtec
Silentnight
Undervalued Assets Tst
Wensum
Interims:
Avon Rubber
Glasgow Inc Tst
Kwik Save
Recognition SystemsTiton Hldgs.
Wigmore Property Inv Tst

■ FRIDAY MAY 9

COMPANY MEETINGS:
Anglo Pacific Resources, Mitre House, 160, Aldersgate Street, E.C., 10.00
BSM, Cannizaro House, West Side, Wimbledon *Common,* S.W., 10.30
Baldwin, The Registry, Royal Mint Court, E.C., 10.00
Black (A & C), Spectrum House, 20-26, Cursitor Street, E.C., 12.00
Britannic Assurance, Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 10.30
Broadcastle, Salisbury House, London Wall, E.C., 12.30
Camas, Pittville Park, Cheltenham, Gloucs, 11.30
Craig & Rose, 172, Leith Walk, Edinburgh, 11.00
EBC, Exeter Golf and Country Club, Countress Wear, Exeter, 12.00
Psion, Royal Society of Arts, 8, John Adam Street, W.C., 11.00
Royal & Sun Alliance Insurance, The Brewery, Chiswell Street, E.C., 11.30
Spandex, 1600, Park Avenue, Aztec West, Almondsbury, Bristol, 10.00
Telewest Communications, Grocers' Hall, Princes Street, E.C., 10.00
UCM, *Rutland House,* 148, Edmund Street, Birmingham, 10.30
Yorkshire-Tyne Tees Television, Television Centre, Leeds, 12.00

BOARD MEETINGS:
Finals:
Audax Props
Northern Ireland Elec.
Prowting
Value & Income Tst
Interims:
VTR

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

Soundtracks hit lucrative keynote

Albums, once released only for musicals, are now marketing tools, says **Alice Rawsthorn**

The veteran crooner, Tony Bennett, arrived at a New York recording studio last Thursday, to sing his classic, *The Way You Look Tonight*, down a high-speed telephone line.

At the other end of the line was a Los Angeles editing suite, where a production team melded Bennett's vocals into a scene from *My Best Friend's Wedding*, the forthcoming Julia Roberts movie, which will include *The Way You Look Tonight* on its soundtrack.

There has been a succession of hit soundtracks over the years: *Sound Of Music* in the 1960s, *Saturday Night Fever* in the 1970s and *Top Gun* during the 1980s. But the market has been exceptionally buoyant since the 1992 release of Whitney Houston's *The Bodyguard*, which sold 29m copies worldwide, and there are now 12 soundtracks among the Top 100 US albums.

"This market has always tended to move in cycles," says Glen Brunman, executive vice president of Sony Soundtrax, which is recording the *My Best Friend's Wedding* album. "There have been really strong periods for one or two years, then sales dropped off. This time we've had a five-year run, and tha playing field is different."

The principal difference is that soundtrack albums, once released only for musicals and regarded as a gimmicky source of sales by record companies, are now important marketing tools for both the film and music industries. *The Bodyguard* not only heralded a revival of soundtrack sales, but proved how effective singles from the albums could be at raising awareness of movies, particularly among young cinema goers who saw the videos on MTV or other pop programmes.

At a time when Hollywood production and markating costs have soared, soundtrack albums have provided a useful source of income for film producers, who receive a royalty. The albums have also become vehicles for promoting pictures without inflating the advertising budget.

It is also common for studios to stipulate that the videos for any singles taken from the soundtrack must contain film footage.

If there are no obvious hit singles on tha soundtrack, studios often clinch special deals to use other songs. When *Up Close And Personal* came out last year, Walt Disney negotiated with Sony to use Celine Dion's single, *Because You Loved Me*, in the advertising for the film, in exchange for the movie being featured in the video.

Record companies have also realised that soundtracks can be equally effective at raising awareness of their artists, particularly new acts.

The success of the soundtrack to Baz Luhrmann's *Romeo & Juliet*, which has sold 5m copies in six months and prompted EMI to release a follow-up *Romeo & Juliet Volume 2* album, has helped The Cardigans, the Swedisb pop group, to break into the lucrative US music market.

Soundtracks are also harnessed to revitalise the careers of older stars, often by raising their profile among young record buyers. The successful *Trainspotting* soundtrack introdnced Underworld, the British dance act, to a wider audience in the UK last year, and the band hopes to repeat the trick in the US by collaborating with Michael Stipe, lead singer of R.E.M., on a track for the forthcoming *Batman and Robin* album.

Record labels now compete fiercely to place their artists on hot soundtracks. Several have appointed specialist executives to handle this. However thare is growing conflict between the labels' wish to use soundtracks to promote unknown acts, and the movie studios' preference for superstars, particularly as this may involve the artists recording for rival record companies.

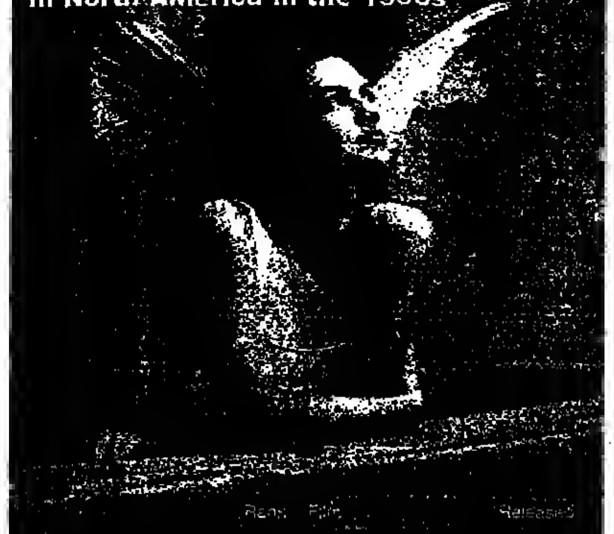
"It's a tricky situation," says one executive. "Of course we don't want our stars to work for competitors. Technically they're in breach of contract if they do it without our permission. But what are we supposed to do? Sue them?"

Another problem is that record companies are so desperate to clinch soundtrack rights, that movie studios are demanding befty cash advances against royalties.

"It's an incredibly cut-throat market," says Jacquie Perryman, senior vice president of PolyGram Soundtracks. "Let's just say that advances are 100 per cent higher than they were three years ago."

Yet the competition shows no sign of abating. With two volumes of *Romeo & Juliet* in this week's US album chart, record companies are now fighting for the soundtrack rights to wbat promise to be the hottest films of the autumn, *A Life Less Ordinary* by the *Trainspotting* production trio, and *Jackie Brown*, directed by Quentin Tarantino.

Best selling soundtrack albums in North America in the 1990s



Rank	Film	Released
1	Bodyguard	1992
2	Lion King	1994
3	Waiting to Exhale	1995
4	Forrest Gump	1994
5	Sleepless in Seattle	1993
6	Dangerous Minds	1995
7	Pulp Fiction	1994
8	Space Jam	1996
9	Aladdin	1992
10	Romeo & Juliet	1996

Source: SoundScan

Uncertainties of a new-found freedom

A microcosm of the nation, South Africa's press is striving to change, reports **Roger Matthews**

"It was not just a government that changed in 1994, everything changed. Although we are making a lot of money, we must do new things for the new era."

So says Deon du Plessis, an executive in Independent Newspapers, the Irish group beaded by Tony O'Reilly which is seeking black equity partners for its extensive South African operations.

The press in South Africa is a microcosm of the nation – excited by its new-found freedom, but uncertain how to use it. Newspapers and magazines want to reflect the demographics of the country, but are not sure how to do so profitably.

Perversely, now that press freedom is guaranteed by the constitution, the circulations of many publications are declining.

Increasing black ownership or control of titles, which President Nelson Mandels says is necessary if relations between government and the press are to be "normalised", is already well established.

When the National Empowerment Consortium bought control last year of Johnnic, the diversified industrial group, black investors acquired a range of publications in the Times Media stable, including the Sunday Times, tbe only mass circulation national newspaper.

Even Afrikaans-owned groups are bringing in black shareholders. City Press, the largest black Sunday newspaper, is in the process of being acquired by black investors.

Du Plessis, managing director of Gauteng Newspapers, part of the Independent group, likes to view the South African market as a rugby ball poised for conversion.

"At the moment, the tip of the ball is wbere all the publications are gathered," be says. "Even those which are supposed to be primarily serving the black population. The target must be to aim for the fat bit of the ball where there is nothing."

One way of addressing that market would be through the launch of a new tabloid, or as du Plessis puts it, "a ruda paper for Africa".

The prospect also intrigues some senior members of the ANC, who have been searching for international investors to help launch a publication which could be assured of supporting tbe party.

"We are serious about seeing whether we can invent a tabloid for Africa and have been showing two dummy editions to target groups," says du Plessis.

The tabloid is, however, unlikely to mirror British models. "The feedback we have been getting is that some aspects of British tabloids would be considered disrespectful in Africa," he says.

John Barham, managing director of the advertising agency The Media Shop, believes a tabloid "with lots of pictures, boroscopes and sport" could be successful and would be likely to take circulation from The Citizen, whose simple formula of news agency stories and scantily clad fashion models has proved surprisingly successful.

"The Citizen is one of the few publications which seems able to appeal to black and white, but overall it is niche market papers, such as Business Day and Drum magazine, which have been able to buck the trend and increase their circulations," says Barham.

"Since the election in 1994 it has been fashionable to say we are one nation, neither black nor white. But it has to be accepted that Soutb Africa is a racially and culturally divided market which cannot be linked simply by language.

"It is impossible to be everything to everybody, and from an advertiser's point of view it must be acknowledged that spending power among whites is much higher than blacks."

But while commercial factors may ultimately decide the fate of South African publications, white owners are not yet free from tbe political past.

Thami Mazwai, editor of Enterprise magazine, believes there are "newspaper organisations shaking in their pants now history is catching up witb them".

He admits that some English language newspapers did expose atrocities, but claims others "ruthlessly applied apartheid, did not trust stories by black journalists".

Thami's is view sbared by senior members of the ANC, but angers white journalists such as Raymond Louw, former editor of the Rand Daily Mail, whicb had been in the vanguard of the media struggle against apartheid until closed in 1985 by its owners, Anglo American.

Louw, now editor and publisher of Southern Africa Report, has compiled a long list of journalists who were detained, imprisoned and tortured during that period.

He believes the arrival of international pnblishing groups will help inject urgently needed professional expertise. As well as tbe Independent group's involvement in South Africa, Pearson (the British media group which owns the Financial Times) has taken a 50 per cent stake in Business Day and the Financial Mail.

Bnt perhaps most important, Louw sees "a breed of young, black journalists emerging, wbicb does not carry the baggage of tbe past. They are young, enthusiastic and growing up with a new constitution and a free press. They represent one of our best bopes."

Chevrolet world of digital TV

TCI is taking a mass market approach to new technology, says **Christopher Parkes**

"Never mind the quality, feel the width." The apocryphal message of the unknown tailor beamed out loud and clear last week from TeleCommunications Inc's National Digital Television Center at the foot of the Rocky Mountains.

While emerging US direct broadcast satellite operators push high-definition pictures and CD-quality sound as the prime virtues of their digital service, the earthlings at TCI, the country's biggest cabla operator, insist there is little to choose between the new signals and the old-fashioned analogue ones once they hit the screen.

"We think the main use of digital is to increase the number of channels we can provide," says Mr Jim Wood, TCI executive-in-charge, challenging his audience to spot the difference between analogue and digital pictures flickering on half a dozen TV sets.

"It's a Chevrolet world we live in, not a Mercedes world," argues Mr Leo Hindery, the group's new president. "TCI has to appeal to all its customers, not just those who can afford a Mercedes."

With cables passing 50m US bomes, and 14.3m subscribers, TCI has a vested interest in stressing the mass market appeal of its digital system, whicb is poised for a rapid national roll-out after successful tests in three regions.

The new system comes from digital compression technology. It allows TCI to squeeze seven sets of signals into the bandwidth of a single analogue channel. A set-top box developed by General Instruments sorts out the mixture of analogue and digital signals.

After battling to blend 20-year-old analogue technology with the digital era, TCI aims to bring its answer to DBS to the thresholds of 90 per cent of its subscribers by late November.

It bopes 30 per cent will pay up to $70 (£43) a month (plus extras for "access" and pay-per-view offerings) for the service. This will initially donble the number of channels on offer to as many as 154 in areas with the latest optical fibre cabla links, and to abont 80 in the less developed regions.

The company claims its tentatively named All TV system works perfectly well with old-fashioned low frequency cables and that its ambitious market coverage target can be achieved with only $100m investment in equipment for distribntion centres. This, it claims, gives it an advantage over other cable companies.

The company's experience in three small trial markets – all affluent and equipped with state-of-the-art cable links – has been rewarding. About 80 per cent of customers receiving programmes on free trials elected to become paying subscribers when the tests ended.

Only 6 per cent took the cheapest programme package, while 44 per cent chose the top-priced deal – and all spent $10-plus a month more than the old system on pay-per-view films.

The system's smart "navigator" screen, an amalgam of the Internet search engine and on-screen guides similar to those posted by Internet service providers, is anotber potential sales boost for pay-per-view.

Tha viewer can preview a selection of films, for example, and with a single click program the TV to flash np reminders for up to a week in advance that a particular movie is about to start.

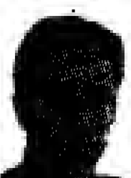
Other options include listings of all available sports programmes on a given day, and the ability to scan a list of programmes about to start. Keying in a couple of letters from a half-forgotten programme title will throw up a list of possibles.

TCI's navigator screen also offers tantalising glimpses of the long-promised approacb of so-called interactive TV. The image of an envelope at tbe top right of the screen signals the arrival – within months, TCI people say – of e-mail facilities, and the ability to purchase goods offered in home shopping programmes and the like.

The set-top boxes already have the necessary hardware inside, bnt the software is still being worked on. Even wben it is perfected, such luxuries will be available only in the few areas wbere cable links permit two-way communications in and ont of tbe bouse.

Tim Jackson

Net ideal tantalisingly near



A year or so ago, people in the computer and Internet business stopped talking about "superhighways" and infobahnen because they recognised that it would be many decades before even half the world's population had access to a high-capacity data network.

Last week, however, a davalopment took place which could in principle make a global superhighway a reality only five years from now.

That development was an agreement between Boeing, the world's leading aircraft manufacturer, and Teledesic, a private company controlled by Bill Gates of Microsoft and Craig McCaw, the cellular phone pioneer.

By the agreement, Boeing will become the primary contractor responsible for building and launching satellites for Teledesic, which will offer businesses all over the world high-capacity, low-cost access to a data network.

The idea is that instead of waiting for phone companies or cable TV operators to install fibre-optic cable under the world's pavements, businesses will be able to get access to the Net and private networks simply by plugging in an 18-incb satellita dish and pointing it skywards.

Were it not for the involvement of Gates and McCaw, it might be tempting to dismiss the Teledesic plan as pie in the, er, sky. To avoid the echoes and delays inherent in communication with geostationary satellites 20,000km above the earth, Teledesic's business plan postulated a constellation of 840 satellites orbiting the earth only 430 miles up.

To start services by 2002 as promised, Teledesic would have had to launch a satellite a day for two years – more than all other satellite operators together. It would also have had to build satellites at dramatically lower cost.

Last week's deal, however, was a vote of confidence in Teledesic. Boeing agreed to buy 5 per cent of tbe business for $50m (£31m) plus 5 per cent for another $50m next year if targets are met. That values at $1bn a company with 75 employees in suburban Seattle, shareholder equity of less than $50m, and no revenues expected for at least five years.

"Not bad for a group that probably still rents its furniture," said Mark Anderson, author of a technology newsletter.

But the greatest significance of the deal was buried at the bottom of a fact sheet put out by Boeing. Teledesic is adopting a master plan for the constellation drawn up by Boeing during the past year, which reduces the satellites from 840 to 288 without reducing global 24-hour coverage.

David Twyver, Teledesic's chief, described the change as "minor" during a phone conversation. In one sense, he is right. The total budget for the project will still be $9bn, and capacity will remain roughly the same.

Users may have to aim their satellite dishes a little lower in tha sky and the satellites will ba able to direct transmissions more precisely, allowing them to serve husy markets more easily.

But in another sense, the change is dramatic. Launching 840 satellites at an average cost of $5.5m was a tall order. Launching 288 at an average cost of $15m will require fewer miracles – particularly with Boeing committed to the project.

The Teledesic project has suddenly become far more plausible.

The news will provoke some hard thinking inside four international consortia that are planning to use low-earth orbit satellites to offer a new kind of mobile phone service. Like Teledesic, these consortia plan to spend billions of dollars on their networks.

The difference is that their business plans depend on finding hundreds of thousands of customers willing to pay between $1 and $3 a minute to make mobile phone calls – even though call prices on existing networks are certain to fall, and geographical coverage to extend, before any of the satellite networks are up and running.

Teledesic will also be able to price flexibly. Whila the satellite pbone operstors will be under pressure to maintain high rates even in poor countries, Teledesic has adopted a firm policy of pricing to fill its network capacity.

That approacb is encouraged by the nature of its network. Once the satellites are up, the marginal cost of carrying traffic is close to zero.

When I asked Twyver what he thought of the idea of charging $50 in India for bandwidth that would cost $500 in America, be replied: "Why stop there? Why not $5?"

Teledesic's pricing will depend on deals with the national service providers it expects to sign up in the coming year. But it is a fair bet that the pricing will be flexible enough to allow businesses in the developing world to get high-capacity network access at prices they can afford.

The Teledesic project may do more than almost anything else to stimulate the use of the Net in the poorest parts of the world.

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The airlines with heart

Roger Bray on systems which offer help for airborne passengers with cardiac problems

At 36.000 ft over the north Atlantic. the normally smooth pre-dinner drinks service is interrupted by crisis. A company executive, heading for London to negotiate a crucial deal, has complained of chest pains and slumped over his laptop.

A senior flight attendant fetches what appears to be a briefcase from a cabin locker and opens it to reveal an electrocardiogram machine. She attaches electrodes to the passenger's wrists and left ankle and plugs a lead from the box of electronics into the seat-arm satellite telephone.

At a medical centre about 3,000 miles away in Arizooa, the stricken traveller's heartbeat is traced across a computer screen. A watching cardiologist determines that the passenger must be admitted to intensive care as quickly as possible.

The pilot turns back to Bangor. Maine, where au ambulance waits on the tarmac and a life is saved.

Far-fetched? Not at all. The technology exists. For the present, however, reality is somewhat different. Airlines still fear lawsuits for malpractice. Only a handful of them carry defibrillators, which can be used to restore the heart's normal rhythm.

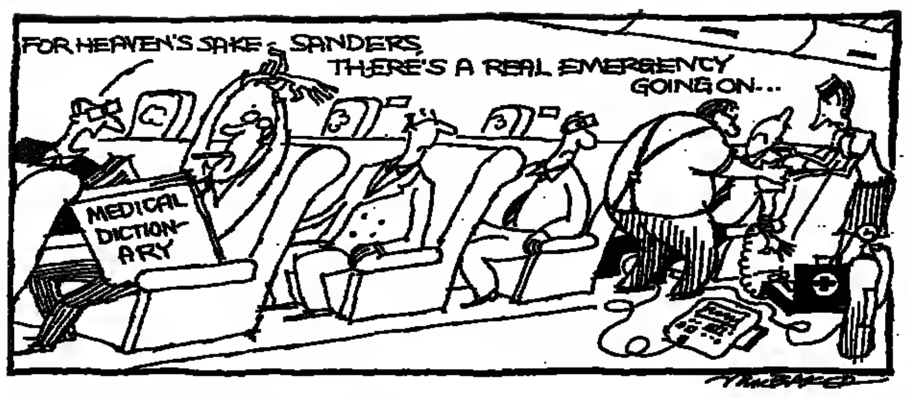
Meanwhile, if you are overtaken by a serious health problem in flight, your chances of survival are patchy. While the International Air Transport Association recommends minimum standards for emergency kits there are no other agreed criteria.

Some airlines remain sceptical about defibrillators. Delta is reconsidering whether it should carry them but says they are "no panacea". Virgin Atlantic carries them. So does Australia's Qantas. American Airlines, which already has a team of medical experts available round the clock to advise pilots by radio. is training crew and plans to introduce them this summer.

Qantas says 23 people have been helped since it introduced them in aircraft and airport terminals six years ago. Six were long-term survivors.

Eric Donaldson, general manager of the Australian airline's health services, argues that, while the equipment will not save everyone, it gives them a fighting chance, and says senior cabin staff without extensive medical knowledge can be trained to use it.

British Airways, however, which gets high marks from medical experts for the way it trains cabin staff to handle in-flight medical crises, has yet to be convinced.



Dr Nigel Dowdall, consultant occupational physician with the airline, says: "The reason we have not carried them is that they have not been justified in terms of the number of instances in which they would be useful. In the last full year for which we have figures – to March 1995 – we had 17 heart attacks among some 32m passengers. The majority would not have required the use of defibrillators."

It is possible, however, that compact, easy-to-use defibrillators could be used in conjunction with electronic equipment which transmits information to – and receives advice from – a doctor on the ground.

American Airlines has started testing such a device, and rival US carrier United Airlines has been conducting trials of a system called VitalLink, devised by Telemedics, a company which started life in the UK but transferred its base to Seattle because it was easier to raise development funds in the US.

Its equipment provides not only an ECG but can check blood pressure electronically and measures the passenger's oxygen levels.

Alasdair MacDonald, Telemedics US president, says the oxygen check is important because aircraft cabins are pressurised at the equivalent of 8,000ft above sea level.

His company will deal only with airlines which agree contacts with MedAire, which operates a communications and medical advice centre in Phoenix, Arizona, and already provides emergency help by radio to the crews of nine carriers.

The reason, he says, is the need for accurate and comprehensive advice from the ground. "If an airline doesn't invest in proper training and support there could be a threat of legal action. If someone died the relatives could turn around and say 'it must have been your device'."

MedAire reckons to handle between six and 12 emergencies a day. It is considering setting up centres in Europe and on the Pacific Rim. Among its potential customers are a number of carriers in the Middle East – and British Airways.

Personal rules for air safety

Mary Schiavn's book *Flying Blind, Flying Safe* is enough to make a person never want to board an aircraft again. A former inspector-general of the US Department of Transportatioo, she has created a furore.

Staying grounded is not an option for many, but while travellers may not be able to control all safety issues, she says, they can cut the chance of trouble by following basic rules:

- Do not fly with new airlines. Many may be safe, she says, but better let them build a two to three-year track record, even if their prices are alluring.
- Avoid certain carriers. Schiavo says airlines in developing countries tend to have an inferior safety record, although some may be very conscientious.
- Stay away from certain airports. "Airports nestled in the mountains or near a mountain range can be dicey," she says. Others may be dangerous because of the chance of terrorist activity.
- Ask what kind of aircraft you will be boarding. Some aircraft are more accident-prone than others. In general, says Schiavo, small commuter craft are not as reliable as big jets, particularly in cold weather. A large jet must by US law be brought in periodically for a check-up, but there are no such rules for smaller craft. Another reason commuter craft are more dangerous is that they are often piloted by less experienced personnel.
- Sit near the greatest concentration of exits. "Most people don't die in the crash itself, but from smoke and fume inhalation. The key is to get out."
- Don't fly in a snowstorm or hurricane.
- Winter is the most perilous season to be airborne. Schiavo also believes holidays are also more dangerous. "There's more air traffic and workers are hassled," she says.
- Keep an eye out for safety violations on the aircraft. If you see luggage in the aisles, insist that it is put away.
- Buy a smoke hood – it fits over the head and filters out noxious fumes.

Flying Safe, Flying Blind. Avon Books, NY, 1997.

Victoria Griffith

Travel News · Roger Bray

Routes launched

Two more UK airlines have taken advantage of liberalisation allowing them to operate anywhere in the European Union.

EasyJet, a low-cost, no-frills carrier modelled on Southwest Airlines of the US, has launched flights between Amsterdam and Nice. Later this month British Midland will start services between Cologne and Rome. It is the first time either carrier has operated between cities outside their home country.

EasyJet will fly its new route once a week. British Midlands' service starts on May 26, when it will also launch flights between London Heathrow and Cologne. Both these routes will operate under a code-sharing arrangement with Lufthansa.

Vegetable stew

Vegetarian business travellers are getting a raw deal. A survey from conference organiser Banks Sadler suggests that one in 10 delegates does not eat meat and is bored by monotonous alternatives.

Vegetable lasagne in particular seems to have outworn its welcome. Tha survey shows it is offered as a substitute nine times out of 10.

Paul Hussey, the sales development director, says the US, Spain and Britain offer the most imaginative dishes. "Germany is not good – though the Germans understand the concept. France, by common consent, is the worst."

His company is organising training for conference buyers at venues which try hardest – and creating an annual award for the hotel with the best vegetarian cooking.

Direct to Bogotá

Colombia's efforts to increase exports to Europe have been reflected by the launch of a direct air link between London and Bogotá – the first for 12 years. Avianca, the country's national carrier, is operating two flights a week to Heathrow, offering business and economy class seats.

The service comes amid complaints from Washington that the Colombian government is not being tough enough against drug cartels and a threat that it could lose preferential arrangements with the US.

On the waterfront

A conference centre for small and medium-sized groups has opened on the Caribbean island of St. Lucia. On the waterfront in the capital, Castries, it has a theatre-style auditorium seating 150, several smaller meeting rooms and a restaurant.

Timeshare option

Business visitors to Edinburgh may wind up making an unexpected timeshare inspection. But fear not, there are no Tenerife-style touts in Princes Street. According to RCI, the worldwide timeshare exchange organisation, some hoteliers who run out of rooms would rather direct customers to the recently opened Edinburgh Residence in Rothesay Terrace than send them to rivals.

It says the property compares well with any four-star or five-star hotel. The development does not include a restaurant but has 24-hour room service.

Get weighed in

British Airways is offering the first 100 customers in line at its Logan Airport terminal on May 9 the chance to "pay what they weigh" for a return ticket between London and Boston on the 8:25am flight it is launching on May 10.

"The airfare on British Airways from Boston to London normally runs between $400 (£245) and $600. So anyone who weighs less than 400 pounds could save," says Janet Prensky of British Airways.

The money collected will benefit the Massachusetts Children's Trust Fund, a charity that funds education and support programmes, Prensky says. "We figured that if the average person weighs 150 pounds, we're looking at donating about $15,000."

Travellers will be weighed on the airline's baggage scales and given a letter showing their weight which will entitle them to an economy-class ticket on the flight leaving Boston the next day.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong	28	29	29	29	29
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Frankfurt	19	17	15	16	18
New York	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
L. Angeles	24	23	28	27	28
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	18	15	13	15	16
Zurich	20	[illegible]	[illegible]	[illegible]	[illegible]

Information supplied by Meteo Consult of the Netherlands

temperatures in Celsius

هكذا من الأصل

ARTS

OPENINGS

BERLIN
A wide-ranging survey of Modernism in art opens at the Martin-Gropius-Bau on Wednesday. It brings together 350 paintings by Picasso, Matisse, Kandinsky and other 20th century artists who are judged to have had a significant effect on art history. The show, which runs until July 27, is seen as an opening salvo in Berlin's attempt to eclipse Cologne as Germany's leading art centre.

VIENNA
The bicentenary of Schubert (right) is the main focus of this year's Vienna festival. Riccardo Muti (far right) conducts the Vienna Philharmonic in the opening performance of the Mass No. 6 in the Musikverein on Thursday, and there will be rare stagings of two Schubert operas at the Theater an der Wien, both conducted by Nikolaus Harnoncourt. Other highlights include *Richard III* directed by Peter Zadek and Luc Bondy's Lausanne production of Strindberg's *Playing with Fire*.

DRESDEN
The Albertinum is offering a rare chance to study examples of early Meissen porcelain from private German collections. Most of the 350 pieces on show date from the early 18th century, when Meissen established its reputation. The *exhibition opens on Wednesday* and runs until mid-July.

LONDON
Luciano Pavarotti returns to the Royal Opera House on Sunday afternoon for his first recital there in 18 years.

Terrence McNally's 1995 *play Master Class* – his version of the *master classes given* in 1972 by the then retired diva Maria Callas in New York – opens tomorrow at the Queens Theatre. Patti LuPone, who may *be remembered as various* Lloyd Webber and Boublil-Schonberg divas, *plays the star.*

Tha playwright Tom Stoppard has retranslated *The Seagull* for Peter Hall's Repertory Company.

The production, which features Felicity Kendal (left) as Arkadina and Michael Pennington as Trigorin, opens on Friday and is directed by Hall *himself.*

BRIGHTON
The three-week Brighton Festival advances on several fronts this week. Richard McLaughlin has composed a new score for Ernst *Lubitsch's 1925 silent film of Lady Windermere's Fan,* which will be played at the Duke of York's Cinema on Wednesday. World premieres of chamber music by Philip Glass, Julian Grant and John Woolrich will be performed in St Nicholas Church on Saturday.

The Gesher Theatre from Israel *brings its production of Joshua* Sobol's *The Village* (above, left), opening tomorrow at the Gardner Arts Centre. And Ballet Rambert presents a world premiere by Per Jonsson at the Theatre Royal on Wednesday.

STRATFORD-UPON-AVON
The Royal Shakespeare Company launches a pair of revenge-tragedy twins this week: new productions of Thomas Kyd's *The Spanish Tragedy* (directed by Michael Boyd, at the *Swan Theatre on Wednesday*), and of Shakespeare's *Hamlet* (directed by Matthew Warchus, starring Alex Jennings (below), at the Royal Shakespeare Theatre on Thursday).

Pause for thought

Alastair Macaulay hails the Pinter Festival at the Gate Theatre, Dublin

Why has no British thaatre staged a festival of Harold Pinter's work? The enterprising Gate Theatre of Dublin presented its first in 1994, and is now reaching the close of its second. This one has proved a yet greater success, with queues for returns, lectures, panel discussions and a supporting film festival. Though different actors and directors hava been involved in each play, a unifying idea has been to hava all the season's plays designed by the same team: in 1997, Frank Hallinan Flood.

In London, voices are still to be heard claiming to prefer Pinter's earlier work. I disagree: early Pinter is good, but later is better. The 1997 Pinter Festival has spanned 36 years of work. *The Collection* (1961) – in which Pinter himself acted, and which I reviewed two weeks ago – was a perfect starter. But the three plays that followed – *No Man's Land* (1975), *A Kind of Alaska* (1982), and *Ashes to Ashes* (1996) – all proved superior. (I also believe that even Pinter's most celebrated pre-1968 plays – *The Birthday Party, The Caretaker, The Homecoming* – are surpassed by such later works as *Landscape, Old Times*, and, indeed, *Ashes to Ashes*.)

Watching *A Kind of Alaska* and *Ashes to Ashes*, one more layer of Pinter's work become clear: his interest in abnormal psychology and/or nauropsychology. Pinter has written that ha drew *Alaska* from material in Oliver Sacks's book *Awakenings*; the heroine, Deborah, awakes from a 27-year sleep and has the greatest difficulty in understanding that she or others have changed, and that the lives of those around her – notably ber doctor, Hornby, and her sister, Pauline – have markedly altered. What fascinates me most in *Ashes to Ashes* is that Rebecca, its heroine, is also, I believe, suffering an abnormal mental condition such as those described by Sacks, though she is beautifully composed throughout. Her mind keeps "remembering" things that, at in-between points, she says have never happened to her. As she relates them to her partner, Devlin, he keeps trying to steer and analyse her thoughts. Sometimes, therefore, he seems to be desperately trying to control her, especially as her memories are largely of a former lover of whom he becomes jealous. At other times, however, it appears that he is trying to help her, to guide her like a therapist.

It is not easy to focus on this aspect of *Ashes* because Pinter splices it, brilliantly but disconcertingly, with others. The lover whom Rebecca "remembers" was a fascist, and, in one of the play's most startling passages, she "recalls" how ha would tear the babies from the arms of their screaming mothers. Devlin, bearing this, at once changes the subject to the quotidian: "How were Kim and the kids?" When the play was new in London last September, this question seemed shocking, a display of indifference to Rebecca's real or imagined tale of horror. Now, bowever, it appears that Devlin's question comes out of real concern for Rebecca; he is trying to pull her, from her imaginings of things she never really saw, back into the real world.

And yet most of what Rebecca imagines *is* real. It may not have happened to ber, but – in Germany, in Bosnia, and elsewhere – it has happened. At one level, we cannot help feeling that Rebecca's mind, however faulty, is a hotline, a direct conduit to some of tha most alarming events of our century. Devlin may try to pin Rebecca down to sanity, to logic, to facts, to kith and kin; but that is just why her mind keeps eluding him – because he does not want her to speak of such dark matters. He is too small-spirited to comprehend her; it is her mind that is freer and larger.

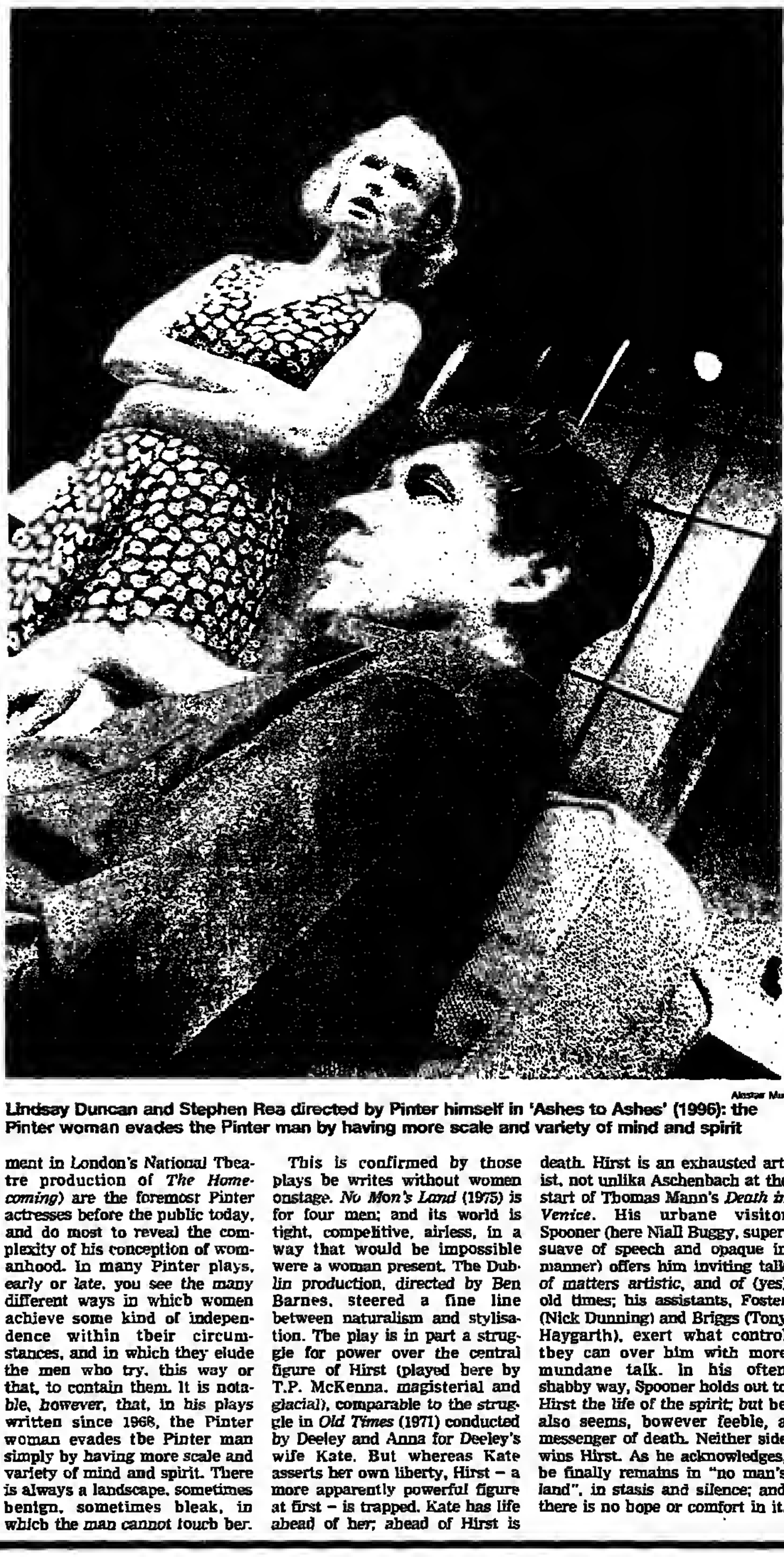
The production shown in Dublin, directed by Pinter himself, is essentially the same as shown in London. A few details have changed, notably in Stephen Rea's account of Devlin. Still superb in rhythm and in oblique persona, he is now more responsive to Rebecca, and is a yet more ambiguous figure. The marvel of Lindsay Duncan's Rebecca is that, without the least break in manner, it presents a quiet English-rose exterior within whom arises the troubled soul of European womanhood. They are alone onstage throughout this 70-minute play; and the most extraordinary features of their joint performance lie in the way they pace and reveal the conflicting layers of this strange, rich, haunting play. Several aspects of the play bave now fallen into focus. The pauses, audacious even by Pinter's standards, are now *full* of suspense and of unspoken, often bighly painful and delicate, feeling. At the end, Pinter follows Rebecca's half-sentences with an echo effect (here, as elsewhere in his work, you sense shades of Webster), which reveals, on the one hand, the warping echo-chamber of Rebecca's mind, and, on the other, the faraway women whose fate she has taken on herself.

To have *A Kind of Alaska* playing in the same week as *Ashes to Ashes* demonstrated, excitingly, the psychological/cognitive connections between Deborah and Rebecca; and the new Dublin production of *Alaska* was no less superlative. (It should be shown in London, and/or televised.) Karel Reisz directed; Penelope Wilton played Deborah. With Wilton, the least turn of an eye, shading of a word, change of metre, becomes full of meaning. Like Duncan and Rea, she ideally grasps how deeply Pinter's meanings lie in his rhythm; like a great conductor or instrumentalist, she takes charge of the entire play with her first entry. The play is a trio; Jim Norton and Bernadette McKenna, as her doctor and sister, reveal the poignancy of their situations also.

Still, what hits you most simply is Wilton's sheer human essence. Her mind and body fluctuate throughout. I love the direct humour she has when her mind is in fact most in denial; and the flickers of eyes or vocal tone with which she starts to take in the new world around her new condition, and which delicately betray ber nervous apprehension. From these details she ascends to the *tour de force* with which she concludes the play: first an accelerating neurological spasm of verbal anxiety and repetitious self-slapping, and then the shattered, husbed composure with which she marshals her more-or-less realistic comprehension of the facts.

It is now evident that Wilton, who in 1994 played *Moonlight* (directed by Reisz) and *Landscape* (directed by Pinter), and Duncan (who played these *Ashes to Ashes* performances in a short gap amid her current engagement in London's National Theatre production of *The Homecoming*) are the foremost Pinter actresses before the public today, and do most to reveal the complexity of his conception of womanhood. In many Pinter plays, early or late, you see the many different ways in which women achieve some kind of independence within their circumstances, and in which they elude the men who try, this way or that, to contain them. It is notable, however, that, in his plays written since 1968, the Pinter woman evades the Pinter man simply by having more scale and variety of mind and spirit. There is always a landscape, sometimes benign, sometimes bleak, in which the man cannot touch her.

This is confirmed by those plays he writes without women onstage. *No Man's Land* (1975) is for four men; and its world is tight, competitive, airless, in a way that would be impossible were a woman present. The Dublin production, directed by Ben Barnes, steered a fine line between naturalism and stylisation. The play is in part a struggle for power over the central figure of Hirst (played here by T.P. McKenna, magisterial and glacial), comparable to the struggle in *Old Times* (1971) conducted by Deeley and Anna for Deeley's wife Kate. But whereas Kate asserts her own liberty, Hirst – a more apparently powerful figure at first – is trapped. Kate has life ahead of her; ahead of Hirst is death. Hirst is an exhausted artist, not unlike Aschenbach at the start of Thomas Mann's *Death in Venice*. His urbane visitor Spooner (here Niall Buggy, supersuave of speech and opaque in manner) offers him inviting talk of matters artistic, and of (yes) old times; his assistants, Foster (Nick Dunning) and Briggs (Tony Haygarth), exert what control they can over him with more mundane talk. In his often shabby way, Spooner holds out to Hirst the life of the spirit; but be also seems, however feeble, a messenger of death. Neither side wins Hirst. As he acknowledges, he finally remains in "no man's land", in stasis and silence; and there is no hope or comfort in it.



Alastair Muir

Lindsay Duncan and Stephen Rea directed by Pinter himself in 'Ashes to Ashes' (1996): the Pinter woman evades the Pinter man by having more scale and variety of mind and spirit

Theatre

Top-class foolery

If anyone had told me before I went to the Kings Head theatre that a play about Scarlett O'Hara could be this much fun I'd have said "fiddle-de-dee." But, as God is my witness, they've pulled it off.

Frankly Scarlett, written by Philip George and Peter Morris, is loosely based on David O. Selznick's search to find the perfect actress to star in *Gone With The Wind*. It took Selznick four years to find his Scarlett and before plumping for Vivien Leigh he tried out all the major Hollywood stars, including Jean Harlow, Lana Turner, Tallulah Bankhead, Bette Davis and even Clark Gable's real-life lover, Carole Lombard.

But, like Goldilocks, he found none of them quite to his taste. His talent scouts spent two years scouring America ostensibly searching for the perfect unknown southern belle. In reality the whole operation was an elaborate hoax set in motion for the purpose of whipping the press into a frenzy of excitement.

Out of these humbly epic beginnings the authors have created a riotous romp with more sexual innuendo and stage business than you can shake a stick at. In the best traditions of the Whitehall farce the piece is awash with daft horseplay and dodgy props, all served up with large slices of ham.

Crammed full of movie references, the play was written for the actor Earl Grey and the indicrous plot allows him to dazzle us with his extraordinary impersonations. He metamorphoses from a striding, strident Katherine Hepburn in slacks via a deliciously sharp Bette Davis into a drunken, dope-smoking, sexually deviant Tallulah Bankhead and, finally, into a frighteningly convincing Vivien Leigh. Thwarted at every turn by chirpy Judy Garland lookalike Sophie Louis Dann, he is thrust into cupboards, beds and crates – all to keep him from seeing Peter Polycarpou's Selznick.

Other colourful characters include the gleefully vacarious gossip columnist Hedda Hopper, all fox fur and improbable millinery, played by Anna Nicholas; Sheila Ballantine as a naughty nun; Peter Durkin as a camp costumier; and Nicholas Colicos who doubles as a chunky, drunken Clark Gable and a sexually confused dirt farmer. A very silly but strangely satisfying dénouement ends an evening of top-class foolery.

Sam Albasini

Frankly Scarlett, Kings Head Theatre, (0171-226 1916).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM
CONCERT
Concertgebouw Tel: 31-20-6718345
● Rotterdams Philharmonisch Orkest: with conductor Patrick Summers, mezzo-soprano Olga Borodina and baritone Dmitry Hvorostovsky in works by Tchaikovsky, Rimsky-Korsakov, Saint-Saëns, Rossini and Donizetti; May 6

■ BERLIN
CONCERT
Deutsche Oper Berlin Tel: 49-30-3438401
● Roméo et Juliette: by Gounod. Conducted by Alain Lombard. Soloists include Fionnuala McCarthy, Gwendolyn Bradley, Francisco Araiza and Clemens Bieber; May 7

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Il Barbiere di Siviglia: by Rossini. Conducted by Sebastian Weigle. Soloists include Kenneth Taver, Gerd Wolf and Pater Rose; May 7

■ CHICAGO
EXHIBITION
Museum of Contemporary Art Tel: 1-312-280-2660
● Lorna Simpson: display of work by the artist whose photographic works question stereotypical images of women; to Sep 21

■ COLOGNE
CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Alban Berg Quartet: performs works by Schubert. Part of the Schubert-Bicentennary; May 8

■ GLASGOW
DANCE
Glasgow Royal Concert Hall Tel: 44-141-287 5511
● Fuenteovejuna: choreographed by Antonio Gades, performed by Compania Antonio Gades. Part of the Glasgow MayFest; May 6-10

■ LEIPZIG
CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● Mass: by Bach. Conducted by Georg Christoph Biller, performed by the Gewandhausorchester and the Thomanerchor. Soloists include sopranos Ute Selbig and Adelheid Vogel, alto Annette Markert, tenor Christoph Prégardien and bass Klaus Mertens; May 7

■ LONDON
CONCERT
Barbican Hall Tel: 44-171-6384141
● English Chamber Orchestra: with conductor and oboist Heinz Holliger and tenor Robert Tear perform works by Stravinsky, Schoenberg and Britten; May 8
Wigmore Hall Tel: 44-171-9352141
● Martin Roscoe: the pianist performs works by Szymanowski, Chopin and Debussy; May 8

DANCE
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Anastasia: choreographed by Kenneth MacMillan to music by Tchaikovsky and Martinu. Soloists include Leanne Benjamin and Elizabeth McGorian; May 8

■ MADRID
EXHIBITION
Ex-MEAC – Museo Español de Arte Contemporaneo Tel: 34-1-5492453
● Javier Vallhonrat: display of 60 photographic works by the Spanish artist, featuring three series developed during the 1990s; to Jul 13

■ NEW YORK
EXHIBITION
Cooper-Hewitt National Design Museum Tel: 1-212-860-6868
● Disegno: Italian Renaissance Designs for the Decorative Arts: exhibition examining the Renaissance concept of disegno; a term linking tha process of design and the actual physical act of drawing. On view are sketches, drawings and finished objects by Romano, Bandinelli, de Modena and Gentila; to May 18
The Metropolitan Museum of Art Tel: 1-212-879-5500
● Enduring Rhythms: African Musical Instruments and tha Americas: display of 75 pieces drawn from the Departments of Musical Instruments and the Arts of Africa, Oceania and the Americas. Visitors hava the chance to examine the sounds produced from a number of instruments, including bells, drums, rattles, horns and voice; to Aug 30

■ PARIS
EXHIBITION
Musée Auguste Rodin Tel: 33-1 47 05 01 34
● Vers l'Age d'airan. Rodin en Belgique: exhibition featuring 24 busts, 43 paintings and 4 portraits of friends of the French artist, covering the period during which he lived in Belgium (1871-77) and his relationship with Belgian artists and writers; to Jun 15
Musée d'Orsay Tel: 33-1 40 49 48 14
● Théophile Gautier, la critique en liberté: exhibition examining tha life and times of art critique Gautier and featuring work by artists who were his contemporaries, including Delacroix, Manet and Moreau; to May 18
Centre Georges Pompidou Tel: 33-1-44781233
● Made in France 1947-1997, 50 ans de Création en France: exhibition of works from tha permanent collections of the Centre Georges Pompidou and the Musée National d'Art Moderne celebrating respectively the 20th and 50th anniversaries of the museums. Included are works by Braque, Calder, Chagall, Duchamp, Ernst, Matisse, Picasso, Balthus, César, Dubuffet and Klein; to Sep 29

■ PHILADELPHIA
EXHIBITION
Philadelphia Museum of Art Tel: 1-215-763-8100
● Rodin and Michelangelo: A Study in Artistic Inspiration: exhibition featuring over 50 drawings and sculptures illustrating the influence of Michelangelo on the French sculptor; to Jun 22

■ ROME
CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra of the 18th Century: with conductor Frans Brüggen in works by Stravinsky and Brahms; May 7

■ SAN FRANCISCO
CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony Orchestra: with conductor Libor Pesek and violinist Gil Shaham in works by Smetana and Bartók; May 7, 8, 9

EXHIBITION
Museum of Modern Art Tel: 1-415-3574000
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■ THE HAGUE
EXHIBITION
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● Kunst op Vleugels: exhibition of Flemish, German and Dutch triptych works, including a piece by Dutch painter Gerard David ("Drieluik met de geboorte van Christus"), the three paintings that constitute the triptych being reunited for the first time since the 1930s; to Jun 22

■ ZURICH
OPERA
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Philip Stephens

An engagement in Europe

Tony Blair's impregnable majority at Westminster gives him an unprecedented chance to shape the national mood, with business as the obvious agent

In a rare moment of quiet during the election campaign, Tony Blair reflected on Europe. He offered three options for Britain: disengagement, a sullen presence on the sidelines, or engagement and leadership. A new government would need to ask itself if it wanted to remain "inside a European Union which, over time, was moving towards greater co-operation". Mr Blair's reply was yes.

It was an unremarkable analysis, shared once by John Major and still by Kenneth Clarke. The more interesting question was whether, in the climate of the times, a Blair-led administration could actually deliver the third option. Here, the prime minister-to-be was cautious. He hoped so, thought so. He would give it his best shot. But no, amid popular hysteria about sell-outs to Brussels, he was not certain.

Mr Blair, though, was sure about how he would set about the task. If public opinion was to be changed, then a critical role would fall to business. The equation which had been missing in the debate was that tying membership of the EU to economic prosperity. A coalition with business was the way to reforge the link.

At this point, of course, Mr Blair could not have guessed at the crushing nature of his victory on May 1. His impregnable majority, leaving a rump Conservative party fighting over its leadership, has transformed the political possibilities.

Whereas a few weeks ago, the new EU treaty expected from next month's Amsterdam summit promised an epic parliamentary battle Mr Blair can now do much as he pleases at Westminster. If he so chose (and I hasten to add that I do not think he will) he could probably also win a referendum to put sterling in the vanguard of economic and monetary union.

All this presents an immense opportunity, the best available to any government since Britain joined the then European Community 25 years ago. If the Liberal Democrats are counted, two thirds of those now in parliament were elected on what might loosely be called a pro-European ticket. There is dissent in Mr Blair's party, but it is as yet slight when set against his own authority.

For their part, the Tory Eurosceptics face a stark choice. They can continue to prosecute the civil war which contributed to their devastating defeat. Or they can accept, as Mr Clarke suggested yesterday, that Europe is an issue to be put to one side while the party begins to rebuild itself.

That will not be easy. Peter Lilley, another declared contender for the leadership, is as visceral in his hostility to the EU as any of the sceptics. I once heard Mr Major's views on Mr Lilley's contribution to a cabinet debate on the issue. They were unprintable.

But Mr Blair's case for building a wider consensus stands. The lesson learned since ratification of the Maastricht treaty is that parliament cannot act in isolation from public opinion. Now, the prime minister has an unprecedented chance to reshape the national mood. And business is the obvious agent.

That thought, I suspect, was behind the offer of a role in government for Sir David Simon, the chairman of BP. Sir David, the moving force behind the pro-European Centre for European Reform and an outspoken supporter of participation in a single currency, is among a group of executives who have been in regular contact with Mr Blair about Europe. More than once the prime minister has told them he would be more positive in government than electoral calculation permitted in opposition.

Clumsily, Mr Robin Cook was not told of the approach to Sir David, but the new foreign secretary shares the underlying objective. So too does Gordon Brown, the new chancellor of the exchequer.

Mr Brown will travel next week to his first meeting of EU finance ministers. He will strike a markedly different note in the debate about Emu. Certainly, the obstacles to sterling's early participation remain, but Mr Brown will signal a policy shaped by hard-headed economic judgments rather than political ideology.

For its part, business does not take a monolithic view. The pain of the recession during sterling's membership of the exchange rate mechanism has left deep scars on many small companies. Their scepticism is mirrored by the Institute of Directors. Paul Sykes is among several rich individuals willing to spend money in the anti-European cause.

But the fact and scale of Labour's victory promises a much higher public profile for the advocates of engagement. The Confederation of British Industry is due to decide its stance on the single currency during the next few months. The betting must be it will conclude that even if there is cause to stand aside in 1999, Britain must be ready to join soon afterwards.

Who knows, even the press could begin to tone down its hostility to Europe. It would be an awkward U-turn for say, The Sun or The Times. But newspaper proprietors tend to make hard commercial calculations. It is just a thought, but I wonder how wise Rupert Murdoch will think it to be in direct confrontation with a Blair government which could well be in power for a decade?

None of this, of course, provides an answer to the dilemmas at the intergovernmental conference ahead of the Amsterdam summit. When it meets in Brussels today a statement in the foreign secretary's name will emphasise a fresh start. Britain will join the social chapter, it will support a new treaty commitment to promote employment, it is flexible about majority voting in such areas as the environment and research.

But Mr Cook is as wary as his predecessor about extending the Union's competence into immigration and frontier policy, about majority voting in foreign policy, and about plans to make the Union the centrepiece of European defence. Messrs Blair and Cook share the view that a proposed flexibility clause allowing selective integration must not build a by-pass around the national veto. For all the change of mood, such disputes will require hard compromises.

For reasons of political temperament, history and geography, Britain seems destined for the foreseeable future to remain a step or two behind its European partners. But that need not mean sullen impotence or progressive disengagement. If Mr Blair meant what he said during that quiet moment in the campaign he now has the political authority to deliver it.

Robin Cook: as wary as his predecessor about extending the EU's competence

Personal View · Thomas Duesterberg

Telecoms market in need of a freer line

Restrictions on foreign ownership of US companies are stifling growth of competition

One of the most important innovations of the Clinton administration has been the policy of auctioning parts of the radio spectrum for wireless telecommunications. The aim is to encourage new entrants and new technologies that provide an alternative to existing networks, and build up competition more quickly in telephone, cable and data transmission services.

Yet the benefits of that policy are slow to come through because the Federal Communications Commission is continuing to insist on restricting foreign ownership of telecoms companies operating in the US.

To get the full benefits of spectrum auctions, the commission should permit greater flexibility for foreign investors. Not only would this spur competition, it would also encourage regulators around the world to follow suit – speeding up trade liberalisation in telecoms.

The growing deployment of wireless systems is a bright spot for supporters of greater competition. New digital technologies have proved themselves in large markets and companies are devising wireless-based strategies for entering almost every segment of telecoms markets.

The commission has responded boldly by freeing the spectrum required for new wireless systems. In auctions during the past three years, enough spectrum has been sold to allow up to six wireless competitors in important markets.

One benefit of the auction process is that it has brought many new companies into the telecoms business. But the long-standing restriction on foreign investment in the sector is an impediment to the development of robust competition.

The existing limits were imposed between the world wars when belief was strong in centralised economic planning and there were fears that the spectrum would be saturated by non-essential uses. Technical advances since have allowed more efficient use of spectrum, which has in turn helped lessen national security concerns.

But while the commission has quadrupled the amount of spectrum available for wireless networks and used market-driven auctions to allocate the capacity, the new wireless systems have been slow to get going. This is because it has been hard to find the necessary financing to build and market new systems given the state of US capital markets – where doubts about new technology competing in a regulated sector are high.

One of the larger new auction winners, Pocket Communications, was forced into bankruptcy by its inability to raise sufficient domestic capital to complete its network. Any substantial foreign help to recapitalise Pocket was restricted, despite the agreement negotiated last month in the World Trade Organisation (WTO) to lift such limits in less than nine months.

Three other large companies, NextWave, American Personal Communications and Sprint Spectrum, have all requested waivers of the law to raise the capital they need to build networks or expand services with enhanced data, fax and voice capabilities.

Mr Reed Hundt, commission chairman, recognised the role foreign investors could play in building a competitive US telecoms market in remarks prepared for a speech in March. "Everyone knows you can't be the raiders of the local loop without a bankroll," he said. "One of the reasons the Clinton administration is pleased with the WTO deal is that it means that American wireless companies will be free to build those bankrolls from investors around the world."

The problem is that US companies will not be free until at least 1998, and further delay at a time of flux in capital markets may force others to follow Pocket. Already breathless pundits are proclaiming the imminent demise of many smaller entrants to the market.

US policymakers have already accepted the principle of freeing foreign investment in telecoms when they signed the WTO agreement. To accelerate competition in US markets, the commission ought simply to implement this new policy immediately, allowing the foreign investment needed to ensure that new companies and new technologies begin to contest local, long-distance and data transmission markets.

Congress could adopt measures to lift the restrictions. But that would take time and it would be better for the commission to use the discretion it already has, invoking a public interest waiver to justify the move.

Quick action in the US would also provide impetus to the process of implementing the WTO agreement around the world. If the US moves quickly, other countries will have no excuse to delay implementation of the agreement.

Thus speedy action on foreign ownership limits could help liberate capital worldwide and contribute to unlocking the vast potential of wireless and other technologies to promote competition, improve services and reduce prices in one of the world's fastest-growing industries.

The author, senior fellow at the Hudson Institute, was US assistant secretary of commerce for international economic policy, 1989-93

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Strong case for linking debt relief to fiscal burden of debt

From Mr Andrew Whitley.

Sir, We at the United Nations Conference on Trade and Development (Unctad), read with interest Michael Holman's article "World Bank, IMF assailed over debt relief" (April 18). Unctad has always paid close attention to the issue of the heavy debt burden many developing countries labour under, because of its evident link to their capability to achieve satisfactory levels of economic and social development. Hence our interest in the the International Monetary Fund/World Bank initiative for the heavily indebted poor countries which, however, raises a number of questions.

First, on both conceptual and empirical grounds, there is a strong case for linking debt relief to the fiscal burden of debt. Developing country governments often have difficulty in mobilising fiscal resources to finance their expenditures, including debt service.

As poor countries have to devote more fiscal resources to enhance their very low levels of social and human development, the fiscal burden is all the more important. The agreement recently reached by the fund/bank boards to introduce a new fiscal indicator for eligibility criteria is a step in this direction, although it remains rather restrictive.

Second, the eligibility criteria of the poor countries initiative based on the net present value of debt to exports and the debt service to exports seems to be set too high. Historical analysis of the debt servicing of heavily indebted poor countries indicates a common debt service ratio of 20 per cent would be a reasonable ceiling, to permit a boost in gross domestic product growth.

However, for countries with very poor debt servicing capacity – Chad, Equatorial Guinea, the Lao People's Democratic Republic and Rwanda, for instance – the desirable threshold should be below 20 per cent.

Andrew Whitley,
office of the secretary general,
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Palais des Nations,
CH-1211 Geneva,
Switzerland

Well named in Internet domain

From Mr Jonathan Laventhol.

Sir, Though it is interesting to see your leading article on Internet domain names ("www.who?", May 1), it is a shame that your comments perpetuate some confusions, such as the idea that we need more top-level domains because of growth in the Internet, or that the only domain worth having is one which ends in com.

We need more domains, but what is really needed is better use of the existing structure – such as that provided by the 250-odd "country code" domains such as uk, fr, de. The domain name system is actually extremely well designed, and new top-level domains are likely just to add to the existing confusion. The system was designed to name organisations, but now we are using it to push slogans, promote goods and services, and build brands. Taking into account the international dimension and the needs of millions of organisations, it is little wonder that our goals sometimes conflict.

It remains to be seen whether the seven new domains which the international ad hoc committee is recommending will help or hinder. However, the internationalisation of the registration entities and involvement of international telecommunications and intellectual property organisations is a very welcome step forward.

Jonathan Laventhol,
head of information technology,
Imagination Ltd,
25 Store Street South Crescent,
London WC1E 7BL, UK

Zaire needs evolution, not revolution

From Mr Nico Ntumba.

Sir, I appreciated very much the analysis of Zairean crisis by your correspondent Michela Wrong in Kinshasa ("Zaire lost in a world of its own", April 26). Despite the huge natural and mineral resources, the country is deep in crisis; people living in unnecessary poverty, below the level of Burkina Faso or Mali.

The late Ivory Coast President said: "If I had Zaire to run ..." Yes, he could have changed the face of Zaire, maybe we could have been talking of African Tiger.

Surely the cold war was in part responsible for some Zairean "maux"; however, Mobutu's administration, characterised by incompetence (quota system in favour of his fellow tribesmen), official corruption and especially "Zairinisation", was the biggest mistake that put the country in such economic, social, moral and political crisis.

It is psychologically important to have new people running Zaire with a sound economic policy for this wealthy country to follow South Africa en route to prosperity. What is now needed in Zaire is evolution and not revolution.

Nico Ntumba,
5a County Grove,
London SE5 9LG, UK

Managed by consortium

From Mr Sabam Siagian.

Sir, I would like to congratulate Leyla Boulton on her article dealing with the importance of water services world wide ("Powerful currents", April 29). However, the reference to the water management in Adelaide, Australia, is incomplete.

The Adelaide water services management is handled by a consortium consisting of Thames Water, Generale des Eaux and Kinhill Engineers Australia. The consortium, United Water, is ably chaired by Mr Malcolm Kinnaird, Kinhill's group chairman and CEO.

I am a member of the international advisory board to United Water and president commissioner of PT Kinhill Indonesia.

Sabam Siagian,
former Indonesian ambassador to Australia,
c/o The Jakarta Post,
Jl. Palmerah Selatan No 15,
Jakarta, Indonesia

Price to pay

From Ms Christine Durban.

Sir, Your article "Much lost in translation" (April 28) touches on some prerequisites for good translation.

Yet the figures quoted are the low end of the spread; depending on the expertise involved, professional translators can – and do – charge considerably more. This is hardly surprising, given the expertise required to produce stylish, "bullet-proof" foreign-language texts, ranging from safety manuals for the nuclear power industry to documents and contracts for multi-million dollar cross-border M&A deals.

Finding a translator with the right combination of skills is no easy matter. Signs that UK businesses are becoming more quality-driven in this area are good news for all concerned.

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FINANCIAL TIMES

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Monday May 5 1997

An uneasy US balance

Bill Clinton, US president, and House leader Nawt Gingrich rarely announce anything without also claiming it to be "historic". But the joint White House-Congress balanced budget accord *announced on Friday* had a better claim than most. After decades of gridlock, a Democratic White House and a Republican Congress can claim to have put the US government back in the black. *In theory*, at least, the country will have a balanced federal budget in 2002 for the first time since 1969.

Both Mr Clinton and Mr Gingrich understandably see the *deal as an* important political victory. Between them they can claim to have put to rest an issue which has dogged US political debate at least since Mr Ross Perot forced it centre-stage in the 1992 elections. Equally, the deal sends an important signal to voters that the two leaders can indeed do business with one another, just as they have promised. The long-term economic or political benefits of the agreement are more questionable.

First, there are the details of the deal itself, which, at two pages long, is nothing if not broad-brush. White House and Congressional budget officials have signed up to a handful of numbers. It is up to the Congressional budget committees to decide how, and precisely when, any of this is going to be achieved. Any deal reached so early in the Congressional year was always going to be short on specifics. Yet the holes in the *programme only* add to the perception, vigorously denied by Mr Clinton on Friday, that it is "an agreement for agreement's sake", peppered with convenient assumpttons and short-term fixes.

Unexpected windfall

Most striking of all is the unexpected $225bn revenne windfall which the Congressional Budget Office has added to its budget forecasts as a result of faster than expected growth. This landed on the budget negotiators' laps late last week and was instantly huilt into the plan. *Mr Clinton claims that* the budget will balance on schedule even if the forecasts turn out to have been over-optimistic. But much will depend on whether the real spending caps included in the plan – previous versions of which showed some spending programmes mysteriously disappearing in 2002 – can be made to stick in practice.

Defenders of the deal claim that both sides now have too much at stake in the programme to let it fail. They may well be right. But even if the hudget moves into balance on schedule, in 2002, there is nothing in the deal to suggest it will stay there. The cuts in Medicare spending are welcome, and long overdue. But few would deny that the cuts are basically a way to buy time for the programme. They will do little to curb spending over the longer term.

Pet projects

Mr Clinton won some worthwhila Democratic goodies, including new spending to counteract a few of the worst side-effects of last year's welfare reform. Some of his other pet projects, however, such as the new tax break for college expenses, have less to recommend them, given that the lion'a share of the benefits are likely to go to families in the top half of the income scale.

More broadly, it is difficult to escape the conclusion that, once again, the cuts in the budget deficit have been inequitably distributed. All the more so *given that the spending cuts are* to be accompanied by tax cuts which, given the degree of leeway which Congress bas in framing the details, will also mainly benefit the better off.

Mr Clinton clearly believes that these drawbacks in the deal's fine print will be far outweighed by its long-term benefits. A major roadblock in White House-Congressional relations has been removed, paving the way for a new era of constructive, fiscally responsible government. But if so, the deal would seem to be a rather discouraging indication of what this new era will be able to achieve.

Not quite all the talents

Prime minister Blair's blueprint for government has a number of simple themes. He will deliver what he promises and not promise what he cannot deliver. New Labour, as opposed to old dogma, is the recipe for government as well as for winning elections. And in Downing Street, he will be prepared to "think the unthinkahle" about radical reform.

How does the government that has taken shape over the weekend measure up against those requirements? As well as could he expected – though, given the scale of Labour's victory last Thursday, not quite as well as might have been hoped.

Mr Blair'a cabinet certainly seems adequate for the most pressing tasks it faces. Though riven by personality clashes which the prime minister will need patience and determination to control, the inner cablnet has shown that it can function as a disciplined and coherent team.

Mr Gordon Brown has had longer than any recent predecessor to prepare for the job of chancellor, and will have plenty of opportunities to make an *early mark: by* agreeing to the Bank of England's justified request for a rise in interest rates this week, for example, and by tightening the fiscal stance in his first Budget to cool the overheating economy.

Similarly Mr Robin Cook, as foreign secretary, will find immediate employment for his negotiating skills as the EU's intergovernmental conference reaches a climax next month. His good fortune is that a deal is there to be done without requiring excessively painful *concessions* from Britain.

Equal to the task

Elsewhere, Mr David Blunkett shows every sign of being equal to the priority the government has attached to education and employment. But at hia new "super-ministry" comprising environment *and transport*, Mr John Prescott has more to prove. And Mr Jack Straw will have to do more than simply try to outbid his predecessor as bome secretary on law and order.

In otber top appointments, too, Mr Blair has opted for caution, preferring to reshuffle his existing shadow cabinet pack than to pitchfork backbench talent *straight into senior posts*. Perhaps that was inevitahle, given the loyal performance of shadow ministers during the campaign and the unproven qualities of the new blood.

Demanding tasks

But where particularly demanding tasks lie ahead, the choices look sound. Mr Donald Dewar, as Scottish secretary, will be more than equal to the perilously complex business of staging a devolution referendum and setting up a Scottish parliament. Ms Mo Mowlam promises to be an able Northern Ireland secretary. Mr George Robertson brings strong international expertise to defence.

Moreover, possible weaknesses in the cahinet have been deliberately offset with imaginative second-rank appointments. In particular the arrival at social security of Mr Frank Field offers a tantalising glimpse of future reform. A lot hinges on Mr Fiald's ability to translate his radical welfare ideas into practical proposals in such areas as reinventing pensions and marging the tax and benefit *systems*.

The risk, in this and other instances, is that Mr Blair's failure to promote talented outsiders to the top will rob his government of momantum. Turf wars in *the* upper echelons of important departments could ensue. At worst, sucb rows could be fuelled by prime ministerial meddling of the kind indicated by *the decision* to give Mr Peter Mandelson, Mr Blair's campaign manager, an as yet ill-defined responsibility for co-ordinating departments' work.

But these dangers should not be exaggerated. If mambers of the team fall down on the job, they can always be replaced. And if Mr Blair's first government does not unmistakeably bear his reforming stamp, he will have ample opportunity to make changes that do.

Slow track to Latin market

Bill Clinton must convince US Congress of the benefits of hemispheric free trade, write **Stephen Fidler** and **Nancy Dunne**

Mr Bill Clinton beads soutb of the border today on his first official trip to Mexico in an attempt to salvage what had been trumpeted by the White House as the "Year of *Latin America*".

This is the year Mr Clinton was meant to build Congressional snpport for free trade throughout the continent. Instead, the US president – buffeted by a campaign finance scandal and cross-party attacks on his trade policy – has done little to build support for the so-called Free Trade Area of the Americas.

Agreed hy Mr Clinton with Latin leaders at a 1994 summit in Miami, this is supposed to create by 2005 a free-trade zone from Alaska to Tierra del Fuego at the southernmost tip of South America. The trouble is that Mr Clinton begins his visit – the first of an unprecedented three trips planned to Latin America in the space of a year – empty-handed.

The idea had heen to finish up next March in Santiago, Chile's capital, armed with "fast track" authority from Congress, which would have allowed the administration to negotiate trade deals without tbe risk of a line-by-line legislative veto. Washington is keen furtber to improve trade opportunities in a region viewed as the second-fastest growing in the world after south-east Asia.

But without support from the US Congress, the president can make no promises. "US credibility is at stake," says Mr Richard Feinberg, a former member of Mr Clinton's National Security Council. "For the president to go to Santiago without fast track would be a devastating loss of credibility. It would endanger implementation of a wbole host of issues."

Mr Clinton's visit starts in *Mexico, from* wbere he *goes* to a summit witb central American presldents in Costa Rica and then on to Barbados next weekend for a meeting with Carihbean leaders. in October, ba is due to visit *Brazil* and Argentina, before next Marcb attending a summit of regional leaders in Santiago.

Bill Clinton, Fernando

If Mr Clinton can advance the trade process befora tben, the Santiago summit could be "an historical turning point", says Mr Feinberg. It could ba used to overcome the traditional distrust and fear many Latin Americans still harbour towards the US.

The key to success in Santiago is trade, says Mr Feinberg. Free access to the buge US market could lead to the conclusion of agreements with Latin America in several other areas. "Trade is the yardstick hy which Santiago will be judged," be says. It could also be the "grease" to wide-ranging agreements over issues such as democracy, immigration, labour rights and drugs.

But the issue of narcotics is damaging the prospects for a successful push on trade. Earlier this year, there was a debate in Washington over the possible removal of Mexico's certification *as an* ally in the battle *against* drugs trafficking. In the event, Mexico – whose chief anti-narcotics officer was found to be in the pay of the country's most powerful drugs cartel – escaped *the fate of Colombia in 1996*, and was not decertified. But Mexico-US relations were stretched close to breaking point and many in Congress were angered by the decision not to decertify. Partly as a result, Mexico remains perbaps tbe greatest obstacle to developing the US trade relationship with Latin America.

According to Mr Mark Falcoff of the American Enterprise Institute, a Washington think tank, most Americans – and many legislators – view Latin America through the optic of Mexico. "To them, Latin America is a continent of *sombreros* and *serapes*," he says.

Mexico has been trouble for Mr Clinton since be belped secure passage of the North American Free Trade Agreement (Nafta) with Mexico and Canada. Less than a year after it went into effect in January 1994, Mexico was plunged into financial crisis. This led to a US-led bail-out, costing the president huge political capital.

The crisis also turned a big US trade surplus with Mexico into a deficit which – in spite of nearly full US employment – brought the accusation that Nafta had cost US jobs. As a result, says Mr *Peter Hakim* of *the InterAmerican* Dialogue in Washington, Nafta "has almost become the N-word in Washington".

Mexico's reputation in the US has been damaged hy the evidence that drugs money has a powerful political influence in tbe country and a scandal that bas enveloped tbe family of Mr Carlos Salinas, tbe former president, wbo bad been strongly supported in Washington.

The subject of drugs does not stop with Mexico. It is one of the most divisive issues between the US, the world's largest consumer of drugs, and the whole of Latin America and tbe Caribbean, its main supplier.

The unpopular certification process is seen by Latin American governments as emphasising US unilateralism in the conduct of its regional policy. There is also a growing view that a drugs policy witb certification at its core risks damaging otber elements of US strategy in the region – for example, its desire to consolidate elected governments.

A *recent report from* the London-based International Institute for Strategic Studies says the US conduct of the drugs "war" is strengtbening military establishments in Latin America at the *expense of civilian* authorities. Decertification cuts off all aid, except that going directly to the military and police to fight drug traffickers.

There are signs that the US approach to drugs may be shifting. "The United States must, without question, see tbe solution to these problems in multinational terms," says General Barry McCaffrey, Mr Clinton's top drug policy adviser.

Mr Newt Gingrich, tbe Republican leader of the House of Representatives, recently criticised certification, saying it burt friends of the US. without damaging its enemies.

When Mr Clinton visits Costa Rica and Barbados, be will be told the concern that Central American and Caribbean governments have about a new US immigration law that went into effect on April 1. But even here, his visit will be dominated by trade.

With US aid to the region falling, Caribbean states have been pressing for similar access to the US as Mexico, though without having to open their markets to the same extent. This initiative has been stalled in Washington since 1995. Partly as a result, Central American states that were seeking such concessions now want full accession to Nafta.

Because be has not made progress on fast track, however, Mr Clinton has been unahle to promise Nafta membership even to Chile, considered the economic model of the region and whose size and position threaten almost no significant US interest. Chile was promised Nafta membership as early as 1994.

Undeterred, US officials say they have been "recalibrating" the Latin American *strategy* with tbe hope of building up to a triumphant climax in Santiago. Ms Cbarlene Barshefsky, the US trade representstive, is pushing a compromise fast-track proposal acceptable to both Republicans and Democrats.

But many Democrats, wbose support Mr Clinton wants in his budget battle in the Congress, are resisting. Even if they come round, Ms Barshefsky cannot be assured of Republican support if she insists – as many Democrats want – that labour and environment conditions should form part of trade negotiations.

The lack of progress so far is worrying some US businesses. "Senators and congressmen in the US are being myopic by being so hostile," says Mr Kirk Hachigian, chairman and chief executive of General Electric de Mexico. Nafta has worked well for both countries, he argues.

US companies fear heing excluded from preferential trade agreements being concluded between Latin American states all over the continent and with Canada. Mr Fred Bergsten, director of the Institute of International Economics in Washington, says the US negotiating position will soon begin to erode unless there is a clear movement towards fast track.

Latin trade ministers meet later this month in Belo Horizonte, Brazil. Without any sign of concessions from the US Congress, Brazil – the largest economy in Latin America – will be able to set the trade agenda for the bemispbere, be argues.

Brazil, for strategic and tactical reasons, wants to go slow on trade liberalisation. Its favoured approach to a Free Trade Area of the Americas is to expand the trade bloc it leads – Mercosur – into a Soutb American trade zone. This bloc would then negotiate with the North Americans.

The government of Mr Fernando Henrique Cardoso, tbe president, fears tbe impact tbat a rapid further reduction in trade barriers would have on Brazil's already large current account deficit and on domestic industry.

Brazil may also be tempted to keep barriers relatively high so it has more bargaining cblps for future negotiations witb the US, which wants to move much faster than Brazil on opening Latin markets.

Mr Feinberg argues that when presidents Clinton and Cardoso meet in October tbey could break the impasse by deciding to move forward as equal partners. A strategic alliance between the two "could electrify the atmosphere", he says.

Yet witbout fast-track authority, at the latest by the Santiago summit next March, Mr Clinton's credibility will sink in Latin America. If hy then he is still empty-handed, Washington's ability to shape future trade arrangements in the region will be severely constrained.

Additionol reporting by Leslie Crawford in Mexico City ond Raymond Colitt in Caracas

OBSERVER

Medicine man Dan

■ No one would begrudge Dan Colson – ona of newspaper magnate Conrad Black's closest lieutenants – a break after 58 trips to Australia in the past 67 months. But it looks as if the UK Telegraph Group's chief executive *is set to embark* on a fresh challenge as soon as he tidies up the loose ends of Conrad Black's retreat from Down Under, following last year's sale of a stake in the John Fairfax newspaper chain.

Colson, a Canadian lawyer, still lives in London. But his latest presence in New York and Toronto could be a clue to his future: he's been readily available in recent days to explain Black's C$923m offer to minority shareholders of Sonthain, Canada's biggest newspaper chain.

Could the man who oversaw Black's shake-up at the Telegraph soon be asked to dish out the same medicine at Southam? A shake-up is certainly in the works – Black recently described Southam as a cesspool of "factional strife, impetuous diversification initiatives, rather mediocre editorial products and all the general problems of the newspaper industry".

Outsiders may be forgiven however, for wondering whether North America is big enongh for both Colson and David Radler, Black's scrappy Vancouver-based lieutenant who has spearheaded operations in *the US and Canada*.

Carlo's critic

■ In his heyday, Carlo De Benedetti – "l'ingeniere" as he is commonly known – was one of Italy's most active corporate raiders. Now, it seems, he's on the receiving end.

De Benedetti was away on boliday recovering from a small throat operation when all hell broke loose in Turin at last week's annual shareholders meeting of his two holding companies, Cofide and Cir.

An enigmatic 72-year-old Italian investor, Luigi Giribaldi, living in golden exile in Monte Carlo, used the occasion to mount a savage attack on De Benedetti. Giribaldi, who has spent around L150bn to acquire about 20 per cent of Cofide and 15 per cent of Cir, voted against the companies' accounts, claiming there was more "shade than light" in their management.

Not that it made much difference: De Benedetti has built rock-solid defences over his control of his two holdings. Nonetheless the De Benedetti clan is somewhat puzzled by *Giribaldi and, although they* won't admit it, clearly a little disturbed.

A few weeks ago Giribaldi – who appears keen to realise his paper profits on his holdings – is *understood to have offered his* Cofide shares to De Benedetti, who said he wasn't interested. Giribaldi is also believed to have tried peddling his shares to Italian merchant banks with the *same disappointing results. So* after months of silence, Giribaldi has decided to raise his voice and make trouble. Looks like the start of anotber entertaining Italian financial soap opera.

Body blow

■ Defenders of the universal use *of the English language* are angrily awaiting the ruling of a Paris court due to be rendered next month; several wicked transgressors are due to get their comeuppance for not complying with France's tough regulations on the use of its own sacred tongue.

French offshoots of the Body Shop and Georgia Tech University are among the organisations which dared to circulate information only in Englisb – in the latter's case, on the internet when advertising for some of its courses. There again, the fines demanded by those zealous groups defending the Frencb language are not *exactly crippling* at *FFr4,000* apiece. But who's counting, given such a critically important point of principle?

Desperanto

■ The guardians of French linguistic purity are not the only ones waging war on the English language. Supporters of the *Esperanto* movement have decided that English is not merely an inadequate medium to unite people, it's downright dangerous.

The sweeping conclusion is backed by claims that the failure of English in air-traffic control has led to thousands of deaths; worse still, the atom bombs dropped on Hiroshima and *Nagasaki* were "*the result of the* language problem".

The Esperanto lobby says a common language will actually protect minority tongues and save taxpayers' money. It calculates translation services in the European parliament alone cost £10 a word and reckons that if Esperanto is good enough for Radio Beijing and Radio Vatican then it's good enough for everyone else; book translations, for goodness sake, already include everything from Asterix the Gaul to Winnie the Pooh.

An Esperanto *movement* spokesman says it's "mature enough not to fear ridicule". That'a all right then.

The Financial Times

100 years ago

Paying Uncle Sam
The Dingley Tariff Bill is provoking threats of retaliation from various quarters. Canada is *endeavouring to pay Uncle* Same back in his own coin, and now Mexico is threatening to retaliate for the prohibitive duty which the Dingley Tariff will impose upon Mexican cattle imported into the States, by mulcting American hogs and packing products, as also American beef, tallow and other commodities. All this is very bad *for both* countries.

50 years ago

U.S. To Produce R-R Engine
United Aircraft of the U.S. has reached agreement for production of British Rolls-Royce jet aircraft engines. The American company will concentrate on the "Nene" model although all Rolls jet engines may be built by United Aircraft under an agreement which so far is verbal. The Rolls jet engine is recognised by American engineers as the most advanced aviation power plant in the world. They say Britain is at least two years ahead of the United States in this development, and perhaps more.

FINANCIAL TIMES

Monday May 5 1997

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Paris rivals look to Britain's Labour victory

French left narrows lead of centre-right

By David Buchan in Paris

The Frencb left has begun to narrow the lead of the centre-rigbt coalition of Mr Alain Juppé, the prime minister, according to an opinion poll pnblished on the eve of France'e parliamentary election campaign.

The Ifop poll, published in yeaterday'a Journel du Dimanche, sbowed a gain of 2.5 percentage points in support for the Socialist party to 28.5 per cent, with its Communist allies bolding steady on 10 per cent.

Mr Juppé mocked the Socialists for not having "the courage to change" like Britain's centre-left Labour party, which won a landslide victory in the Britisb geoeral election last week. But Mr Liooel Jospin, the Socialist leader, pointed to Labour'e promises to introduce a minimum wage, tax privatised utilities, sign the European Union Social Chapter and give priority to education and bealth to euggest tbat the Labour programme mirrored his own platform.

The support for the Gaullist RPR and the centre-right UDF combined was unchanged in the Ifop poll at 37 per cent. RPR and the UDF are fielding joint candidates while the Socialists and Communists are competing with esch other, at least in the first round, putting the left behind in the projected number of seats they could win.

The far-right National Front fell back 2 points to 14 per cent, according to the survey.

The lists of candidates for tbe 577 Natlonal Aseembly seats closed last night and the campaign begins officially today . Voting will take place on May 25 and June 1.

With the real campaign two weeks old, left and right have laid out their respective platforms and are aearching for an issue or an event to give them a decisive edge over the other.

The Elysée confirmed yesterday that President Jacques Chirac was considering weighing in on the side of his fellow Gaullists at an election rally on Wednesday, tbe second anniversary of his presidential victory. Presidents usually remain aloof from parliamentary elections but Mr Juppé said he thought it "normal for the president to say what he thinks and wants".

The Ifop poll sbowed tbat events in Britain had polarised the opinions of two-thirds of the Frencb electorate. Asked wbether the Labour victory had affected their voting intentions in the Frencb election, 34 per cent of the Ifop sample of 1,002 replied it had made them more likely to vote for the left, 31 per cent said it had made them lean more towards the RPR-UDF camp, 17 per cent said it had left their voting intentions unchanged.

Economic liberals on the French right have been using Mr Tony Blair, tbe Labour leader, to maka their ideas seem acceptable. Mr Alain Madelin, tbe former finance minister who is on the free-market rigbt of tbe UDF, praised Mr Blair for "building social progress on e free-market foundation".

Schröder inspired, Page2

Chronic diseases to increase in ageing population

By Frances Williams in Geneva

Rising life expectancy over the next 20 years will result in "a crisis of suffering" by bringing with it "global epidemics" of cancer, heart disease and other chronic illnesses, the World Healtb Organisation warns today.

Its latest world health report notes that chronic diseases are responsible for more than 24m deaths a year – almost half the total of 52m. Thet proportion is set to rise with the ageing of the world'e population and the spread of unhealthy lifestyles from rich to poor countries.

"Increased longevity without quality of life is an empty prize," Dr Hiroshi Nakajima, WHO director-general, says in his foreword to the report. "Healtb expectancy [expectancy of life in good health] is more important than life expectancy."

More than 10m people developed cancer in 1996 and numbers are expected to rise by 50 per cent in the next 25 years, with a doubling in developing countries.

Heart disease and strokes, the leading causes of death in ricber nations, will become more common in poorer ones, the report says.

The number of people suffering from diabetes will more than double to almost 300m by 2025, and there will be a "huge rise" in senile dementia.

Other chronic diseases that will affect growing numbers of elderly include rbeumetism, osteoporosis, chronic bronchitis and emphysema, blindness and hearing loss.

The WHO is urging a global campaign against the preventeble causes of non-communicable diseases – poor diet, insufficient exercise, smoking and obesity.

Tbe WHO points out that because the world population is ageing, chronic diseases have more time to progress to a disabling stage. Average life expectancy worldwide is 65 years and in some countries it is epproaching 80. Within 25 years, the number of people aged 65 or more will have soared from 380m to more than 690m, many in developing countries.

The report obeerves that many countries will face the "double burden" of infectious and non-communicable diseases. Even in the industrialised world, global travel and trada are reintroducing risks from infectious diseases.

Since the majority of chronic diseases cannot be cured, the emphasis must be on prevention and on decent care for those affected, the WHO says. *The World Health Report 1997, WHO, CH-1211 Geneva 27, fax +41 22 791 4870, SFr15 ($10.20) (SFr5 in developing countries).*

Toronto exchange prepares for trading surge in Bre-X

By Bernard Simon in Toronto

The Toronto stock exchange has takeo special precautions todey to handle an expected explosion of trading in Bre-X Minerals, tbe controversial gold mining company.

The Calgary-based exploration company this morning is due to release results of an independent audit of rock samples from tbe disputed Busang property in east Kalimantan, Indonesia.

The TSE said it would put restricted trading rules in place to handle the expected surge in volumes when the new results are published.

Brokers will be allowed to accept only orders for same-dey execution, and orders "well outside" quoted prices may be cancelled.

Frenzied trading in Bre-X strained the exchange's computers to their limit in lete Marcb and early April. As many as 5,300 orders were handled in a day, compared with 200-300 trades for a normally ective stock.

Bre-X earlier claimed tbat Busang was the richest gold discovery since South Africa's Witwatersrand.

However, the authenticity of its samples was thrown into doubt in lete Marcb wben Freeport-McMoRan Copper and Gold of New Orleans said it found "insignificant" quantities of gold.

Freeport took its own samples as part of due diligence on a proposed deal to acquire a 15 per ceot stake in Busang.

Bre-X subsequently acknowledged that the reserves might be over-stated. However, the company has stood by its testing methods.

The independeot audit has been carried ont by Strathcona Mineral Services of Toronto. Their findings are besed on samples which were examined under tight security by three assay laboratories in Canada, Australia, and Indooesia.

Almost C$6bn bas been knocked off Bre-X's market value since its shares peaked last year at C$28.65. They closed last Friday at C$3.23, valuing the company at C$765m.

Trading has been exceptionally beavy and volatile as many investors have taken a flutter on the shares recently.

Newmont stake, Page 19

Zaire rebels fight on

Cootinued from Page 1

and threatened cancellations, was regarded as e diplomatic breakthrough.

The main achievement was that Mr Mobntu offered to stand down after 32 years, althougb be insisted that be would only hand over to an elected president beading an interim antbority – terms rejected by the AFDL.

A fresh round of talks is to be beld within eigbt to 10 days, bnt the AFDL may well have already stormed the capital by then.

During the past few days of feverisb diplomatic activity, the alliance bas flown bundreds of reinforcements and heavy equipment to the town of Kikwit in preparation for a final assenlt. Mr Kabila said his frontline units were closing in on Kinshasa's international airport.

Marzotto

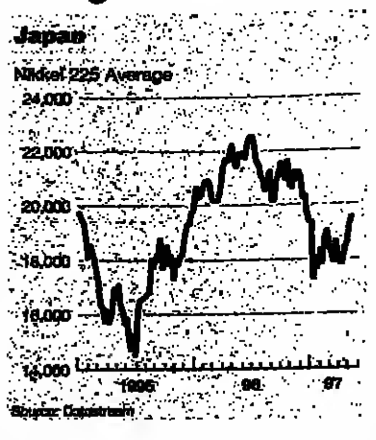
Continued from Page 1

lose its identity after being in the family for six generations and many family members were unwilling to let this happen. Mr Pietro Marzotto, the prospective executive cbairman, also feared he would have insufficient control over Mr Maurizio Romiti, tbe Mediobanca-appointed chief executive and son of Fiet chairman, Mr Cesare Romiti.

THE LEX COLUMN

Nifty Nikkei

A no-go area for all of last year, Japanese equities are creeping back into favour. The Nikkei 225 index has risen 12 per cent in the past three weeks, although the continued slide in the yen means the increase has been less pronounced in foreign currency terms.



Encouragingly, this mini-rally is broadening out beyond the "nifty" stocks – those export-oriented manufacturers that have made all the running on the stock market in the past 18 months. Retailers are rallying on evidence that April's increase in the consumption tax is not hitting spending as badly as feared. Property developers are benefiting from claims that land prices are bottoming out. Even smaller companies appear to be finding favour again: shares in Marutomi, a second-line stores group thet was trading at just half its net asset valus, have jumped e third in two weeks.

The outlook now depends heavily on the Japanese bond market, which has remained etronger for longer than almost everybody predicted. However, yields have risen to 2.4 per cent from e record low of 2.15 per cent early last month. Paradoxically, this could be good news for equities if it persuades domestic investors, which etill make up nine-tenths of the funds under management, to switch into shares.

Unilever

Mr Niall FitzGerald'e honeymoon period as chairman of Unilever continues. Looked at through less than rose-tinted spectacles, the first-quarter results are not altogether flattering. The benefit of announcing results in constant currency is that it is easy to ignore the fact that sterling profits actually fell 8 per cent. Problems in Mexico and Turkey have meant that, despite Unilever's supposed emerging markets allure, Europe was actually e far better performer. Moreover, organic salas growth of 2 per cent still leaves it trailing big international competitors, snch as Nestlé and Procter & Gamble.

Nonetheless, Unilever has finally shown that shareholders can expect to profit from its vast restructuring progremme. Over the past five years, productivity benefits have been the exclusive domain of the company's customers, but restructuring gains are finally creeping through into profit margins and there should be plenty more to go for.

Mr FitzGerald's actions bave already pushed Unilever's shares to e 20 per cent premium to the market's prospective price-earnings ratio though its growth is slower than the market. The recent strategic changes look sound. But tbe benefits from Unilever's £5bn sale of its speciality cbemicals business remain distant, so the rerating has gone far enough.

UK pensions

Of all Mr Tony Blair's appointments, Mr Frank Field's arrival as sacond-in-command at Britain's social security department could well prove tbe most eignificant. Why? Because asking Mr Field to think the unthinkable hardly seems necessary. His proposals to reform Britain's pension arrangements are elreedy vastly more specific and far-reeching than anything the Labour manifesto has to say – on any subject. If Mr Blair does choose to beck radical reform, he certainly has the parliamentary majority to pusb it through. And Mr Field has already argued that changes should be pursued early in Labour'e term.

So what is his thrust? In a nutshell, be rightly frets that too few people are saving too little for their retirement. And also rightly, be points out that Serps – the existing government pay-as-you-go second pension – is not much of an answer. So, he suggests, close Serps down and instead require all but the lowest-paid to contribute to private funded schemes. Employers would be compelled to cootribute too.

For business and financial markets, such long-term thinking has its attractions. It would open up a big new market for private pension providers, as well as boosting the savings rate. But there would also be some important downsides. For one thing, Mr Field's plans would almost certainly drive up labour costs. There may well be a powerful case for bringing the low-paid into the national insurance net and requiring others to save 16 per cent of their earnings. But it would be naive to expect no knock-on impact on competitiveness.

Furthermore, even if the taxpayer could benefit in the long run from Mr Field's plans, the upfront cost of ideas such as closing Serps would be befty. Yet it is not difficult to see how that price might be met. If saving becomes compulsory, after all, why bother with the current panoply of pension tax incentives? The industry would do well to note, for instance, that Mr Field already suggests abolishing the tax-free lump sum.

Pharmaceuticals

Received wisdom has it that the costs of developing a new drug spiral inexorably upward. That may be starting to change. Glaxo Wellcome confirmed last week that it is on target to launcb three big new medicines a year – it has managed only one in the past – while keeping its researcb and development spending flat at £1.2bn a year. SmithKline Beecham, meanwhile, has cut its average product development time from 10 years to six since 1990 and is aiming at just over five years by 2000. All drug companies are benefiting from scientific edvances such as genomics; new technologies like rapid screening of chemicals; and a more hard-nosed attitude to weeding out unsuccessful research.

This bas implications for the industry'e profitability. The all-in cost of one successful new drug, including fixed costs and money spent on failed compounds, is put at $600m by the investment bank Lehman Brotbers. The net present velue of ench e drug, assuming peak sales of $500m and a 15-20 year life, is around $750m – generating a return on investment of 25 per cent. If the company can cut the development cost to, say, $400m – the sort of number being talked about in the industry – the return jumpe to nearly 90 per cent.

This is a rough illustration, at best. But it suggests that, despite already high profitability, the drug industry still has vast potential for improvement. Moreover, efficiency gains in R&D are likely to be far more significant than the more red-blooded gains from takeovers and cost cutting.

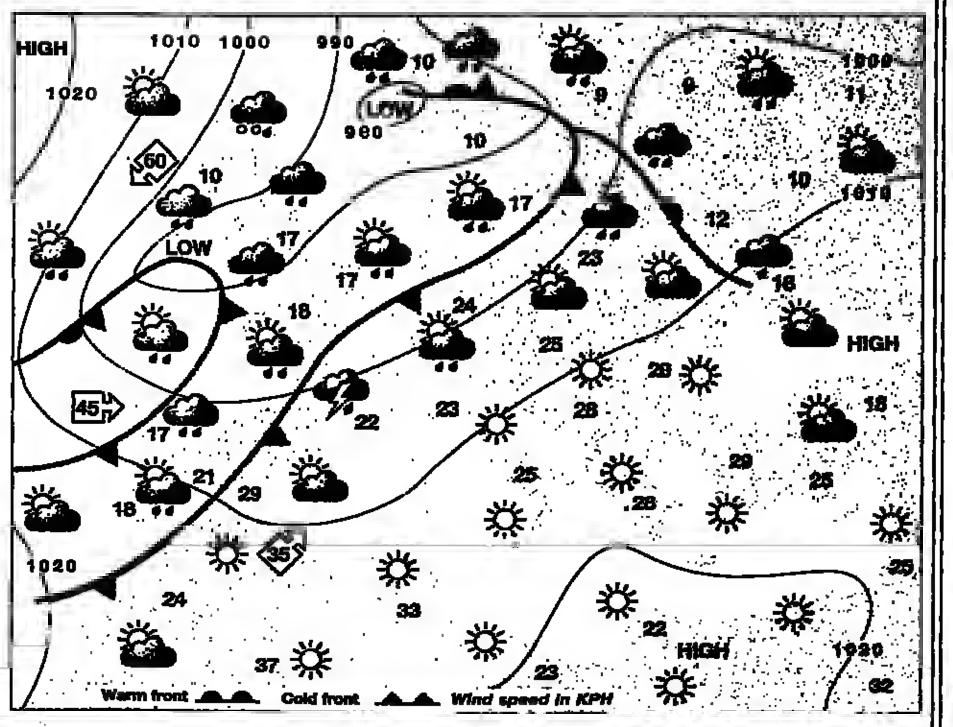
FT WEATHER GUIDE

Europe today

A series of low pressure areas will bring cooler air into north-west Europe during the week. The UK, the Benelux, France, Germany and southern Scandinavia will be cloudy and wet.
The north-west Iberian peninsula and Alpine countries will also have showers.
The eastern Mediterranean will be settled and dry.
Italy, the Balkans and tha rest of south-east Europe will be sunny with summer-lika temperatures.

Five-day forecast

Western Europe will continue unsettled. Temperatures will be aeasonal and showers will occur, especially on Tuesday.
South-eastern Europe will be mostly sunny with afternoon temperatures exceeding 25C.
Italy and the Balkans will have showers later in the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
		Beijing	fair 29	Caracas	fair 32	Faro	fair 21	Madrid	shower 21	Rangoon	fair 36
		Belfast	hail 10	Cardiff	rain 15	Frankfurt	rain 16	Majorca	sun 23	Reykjavik	cloudy 4
Abu Dhabi	sun 32	Belgrade	sun 27	Casablanca	fair 22	Geneva	rain 16	Malta	sun 23	Rio	shower 29
Accra	fair 30	Berlin	shower 20	Chicago	fair 20	Gibraltar	fair 23	Manchester	rain 13	Rome	sun 23
Algiers	sun 24	Bermuda	fair 25	Cologne	rain 17	Glasgow	shower 10	Manila	shower 35	S. Frsco	fair 21
Amsterdam	shower 16	Bogota	thund 19	Dakar	sun 26	Hamburg	shower 16	Melbourne	shower 20	Seoul	fair 27
Athens	sun 23	Bombay	sun 34	Dallas	fair 29	Helsinki	cloudy 10	Mexico City	shower 30	Singapore	shower 33
Atlanta	fair 27	Brussels	shower 17	Delhi	sun 36	Hong Kong	shower 28	Miami	sun 31	Stockholm	rain 8
B. Aires	fair 23	Budapest	fair 26	Dubai	sun 33	Honolulu	fair 30	Milan	shower 21	Strasbourg	rain 20
B.ham	rain 15	C.hagen	shower 13	Dublin	rain 10	Istanbul	sun 24	Montreal	rain 15	Sydney	shower 20
Bangkok	thund 37	Cairo	sun 24	Dubrovnik	sun 23	Jakarta	fair 31	Moscow	shower 8	Tangier	shower 22
Barcelona	sun 22	Cape Town	fair 23	Edinburgh	rain 10	Jersey	shower 12	Munich	shower 24	Tel Aviv	fair 20
						Karachi	sun 36	Nairobi	thund 25	Tokyo	shower 23
						Kuwait	sun 36	Naples	sun 23	Toronto	rain 16
						L. Angeles	sun 24	Nassau	fair 29	Vancouver	shower 13
						Las Palmas	fair 25	New York	sun 21	Venice	fair 20
						Lima	fair 24	Nice	fair 21	Vienna	cloudy 25
						Lisbon	shower 16	Nicosia	sun 23	Warsaw	cloudy 23
						London	rain 16	Oslo	rain 10	Washington	fair 24
						Lux.bourg	shower 16	Paris	shower 16	Wellington	fair 15
						Lyon	shower 22	Perth	shower 20	Winnipeg	sun 16
						Madeira	fair 21	Prague	shower 23	Zurich	shower 20

FINANCIAL TIMES
COMPANIES & MARKETS
Monday May 5 1997 — Week 19

BSkyB and BT to launch UK digital TV

Midland and Matushita join $1.1bn scheme for 200 channels and interactive services

By Raymond Snoddy

British Sky Broadcasting will announce on Wednesday that it is soon to launch 200 channels of digital television in the UK, combined with interactive services such as home banking, shopping and the Internet on the television screen.

BSkyB has finalised details of a £700m ($1.1bn) joint venture with British Telecommunications, Midland Bank and Matsushita, the Japanese electronics company, to form British Interactive Broadcasting.

BIB's main functioo is to provide heavy subsidies for the digital decoders which will sit on television sets and receive the new service.

These would retail at £500, but the aim is to sell them initially at about £200 to get the boxes and associated services into the market.

BSkyB and BT will each have 30 per cent of the venture and the other partners 20 per cent each. It will earn its profits from a slice of the revenues geoerated by interactiva services broadcast by satellite.

The ventura bas been delayed by about six months whilst gaining regulatory approval for a deal which brings together such large players in the UK market as BSkyB and BT, and for the high level of initial subsidies.

It is believed that Mr Don Cruickshank, director general of the UK's telecommunications regulator Oftel, is now satisfied that no abuse of market dominance is involved.

Other television programmers will have access to the new BSkyB digital system, and it will be possible to link digital satellite, digital terrestrial and digital cable systems.

Mr Cruickshank has expressed concern in the past that if incompatible systems grew up it would limit consumer choice and competition. BSkyB insists privately that it could, despite the delay, still launch 200 channels of satellite television in the UK before Christmas, but it is now more likely to happen next spring.

A number of retailers have plans to launch television sets next year with integrated microchips for the reception of both digital satellite and digital terrestrial broadcasts.

In most countries, other than the US, the take-up of digital satellite has been slow, partly because of the high cost of the receiving systems.

The deal between BSkyB, BT, the Midland Bank and Matsushita is believed to be the first anywhere in the world where such substantial companies have combined to provide large subsidies to kick-start the digital market.

The hope is that revenues from interactive transactions will soon remove the need for subsidies and that the price of the decoders will fall in volume manufacture.

Sales of PCs set to surge as new technology comes 'to the masses'

Intel to launch Pentium II high speed chip

By Louise Kehoe in San Francisco

Intel will improve the performance of personal computers again this week with the launch of Pentium II – a new generation of high speed microprocessor chips that is expected to spur a surge in PC sales.

More than a dozen PC manufacturers, including market leaders such as Compaq Computer and International Business Machines, will have Pentium II PCs on retailers' shelves this week. Prices are expected to be at the top end of the scale for PCs, starting at about $3,000.

Pentium II PCs are aimed initially at companies adopting Microsoft's Windows NT operating system and looking for desktop computers that can take advantege of the latest software.

They will compete with workstations from Sun Microsystems and others that are widely used for scientific and analytical applications.

By Christmas, however, Pentium II PCs with TV-quality video and CD sound are expected to draw consumer attention. By this time next year, Pentium II chips may become the standard "engines" for mainstream PCs costing less than $2,000.

The Pentium II is designed to bring Intel's sixth generation of microprocessor technology "to the masses", says Mr Linley Gwennap of Microdesign Resources, an industry consulting group.

The chips combine the core technology of Intel's Pentium Pro chips, used in nstwork servers and desktop computers at the high end of the market, with its latest MMX multimedia technology, in a cartridge-style package designed to lower costs, he says.

Technical specifications of the Pentium II remain secret. However, Intel recently demonstrated an experimental version of the chip running at 400MHz, twice the speed of the fastest Pentium chip.

The power of the Pentium II would enable a user to cooduct a video teleconference, while simultaneously displaying documents or calculating spreadsheets, said Mr Richard Dracott, Pentium II marketing manager. "You can actually be doing real business online. It is a practical tool."

In contrast, PCs based on ths latest MMX versions of Pentium can run the video conference but havs no power left for other applications.

For Intel, the world's largest semiconductor manufacturer with 1996 revenues of $20.8bn, up 44 per cent from 1995, Pentium II is the most important nsw product since the introdnction of the first Pentium in 1994, according to industry analysts.

Intel dominates the PC microprocessor market with an estimated 85 per cent market share but the semiconductor superpower is facing new competition. Rival Advanced Micro Devices recently launched a microprocessor, the K6, that matches the performance of Pentium II in some applications.

But AMD lacks ths manufacturing capacity to dent Intel's market share and Intel is doubling its efforts to stay ahead. Intel plans to pour $4.5bn into new plants and production equipment this year, up from $3bn in 1996. The company's $2.4bn research and development bndget is rising as it accelerates the pace of chip development to ensure that PC buyers will always yearn for the next, higher-speed model.

Mr Andrew Grove, Intel's president and chief executive, promised that 1997 would be a year of product transitions

Faithful flock to the Mecca of capitalism

By Tracy Corrigan in Omaha, Nebraska

Tourists avoid Omaha as a rule. The city was once described as being west of civilisation and east of scenery. But for fans of free market capitalism, Nebraska's biggest city is Graceland and Delphi rolled into one.

Just as Elvis fans visit his grave on the anniversary of his death, once a year investors trudge to Omaha to hear the words of its oracle, Warren Buffett, one of the world's richest men. Those who attend the annual meeting of Mr Buffett's corporate vehicle, Berkshire Hathaway, hope that some of Mr Buffett's homespun wisdom and knack for picking stocks might rub off.

But this year, some followers worry that the meeting might no longer feel like an extended family gathering. Last year's B share offering has doubled the number of investors in the company. At the time of the offering, Mr Buffett feared that the sale of the cheaper B shares could have attracted the wrong type of investor – although his comments that the stock was overvalued should have helped deter those in search of a quick buck.

In the spring sun of Omaha this weekend, both fears evaporated. On the flight from Milwaukee on Saturday were Warren's son Peter (he bad not coma for several years and was under pressure from his Dad to show) and a family friend wbo said Warren had been the best man at ber first wedding.

Even among tbe first-time attendees of the regular Saturday night Omaha Royals baseball game – Mr Buffett pitches the first ball – were many long-time devotees.

"I've been a Buffettite for 15 odd years," said Mr Bill Negrzyn, a deotist from Springfield, Massachusetts, who bought B shares. He learned of Buffett from his father, while still in high school, and has tracked his progress ever since. "Now I'm earning money and the smartest place to put it is with the man who has got the biggest pile – and the philosophy to go with it."

Another first-time visitor, Mr David Miller, an attorney from Topeka, Kansas, bought 1 A share a year ago, and is thinking of buying a B share for each of his two grandchildren. He bopes the gift will belp pay for their college education.

The turnout for what has become an annual pilgrimage for many investors is estimated at 7,000, up from 5,000 last year - numbers unimaginable at any other shareholders' meeting.

Mr Buffett became a billionaire by investing the old-fashioned way, in companies which he thought were undervalued. His followers hang on his characteristic blend of simple philosophy, intelligent common sense, gentle humour – and modesty. For those who bave become rich on their Berkshire holdings Buffett represents tbe real American dream.

Newmont denies pressure to reduce stake in Batu Hijau

By Manuela Saragosa in Jakarta and Ken Gooding in London

Newmont Mining of the US has denied reports that it is under pressure from Indonesian authorities to reduce its stake in the huge Batu Hijau copper and gold deposit on the island of Sumbawa.

The company said at ths weekend it was "confident" of receiving approval to proceed with project.

Its comments follow reports in Indonesia's business newspaper, Bisnis Indonesia, that the government had askd Newmont to rednce its stake in the Batu Hijau deposit to 31 per cent from 80 per cent, to allow Indonesian companies to participate in the venture. The deposit is estimated to contain 14.7m ounces of gold, 27.6m ounces of silver and 11.2bn pounds of copper. Production is expected to start by 2000 and development costs of the open-pit mine are expected to be about US$1.9bn.

The confusion has again raised questions about government policy in the mining sector. A system of swarding exploration licences to mining companies was thrown into disarray because of political wrangling involving two of President Suharto's children over control of ths Busang gold deposit, claimed to be the world's richest.

The Busang affair led to the removal of the director-general for mining, Mr Kuntoro Mangkusubroto. Mr Kuntoro was replaced by Mr Adjst Sudradjat, who said at the weekend that "many national [Indonesian] mining companies now have the capability" to work effectivaly in the sector and that "Newmont should understand the current conditions".

Under a proposed joint venture agrsement, yet to be approved by the authorities, Newmont would own 45 per cent of the Batu Hijan deposit, Japan's Sumitomo would take a 35 per cent stake and Pukuafu Indah of Indonesia would taks 20 per cent. Pukuafu Indah is owned by Mr Jusuf Merukh, who is also contesting Canadian exploration company Bre-X Minerals' right to ownership of the Busang deposit in east Kalimantan.

Newmont had expectsd approval for the shareholding structure and the mine's construction by the end of March.

Callan in UK-US venture

By Jonathan Guthrie

Bacon & Woodrow, a large UK employee-benefits adviser, and Callan Associates, a leading US investment consultancy, are in the final stages of establishing a joint-venture company. The new business will advise multinationals on managing their pension fund investments, including hiring and firing investment managers.

Investment consultants are estimated to control 90 per cent of investment-manager appointments to manage pension fund money, worth £650bn in the UK alone. They ars now scrambling to strengthen their international advice networks. They expect an increasing share of revenue to come from advising multinationals on a group-wide basis, instead of individual national subsidiaries.

Callan, which is based in San Francisco, and has offices in three other US cities, is a specialist investment consultancy with 300 institutional clients, between them controlling assets worth some $400bn.

Bacon & Woodrow provides investment advice to some 400 clients as part of a service that includes actuarial valuations. It is based in the UK but has offices in Japan, France, Guernsey and Trinidad.

Callan and B&W will each own half of the shares in the joint-venture company. Both will contribute staff to work on projects for multinationals.

The alliance is unlikely to lead to a merger between the two firms, sources said. However it is expected to include an agreement to cross refer clients seeking a national service in the UK and US.

B&W already belongs to the Woodrow Milliman cross-referral natwork, which has members among employee-benefits consultancies in over 20 countries, including Milliman & Robertson in the US.

However the company said that the bulk of the referrals it generates are for actuarial assessments of the liabilities of pension funds and insurance companies. B&W and Callan's collaboration follows in the wake of a 1995 accord made between R Watson of the UK and Wyatt of the US.

IN BRIEF

De Beers loses Zaire contract

De Beers, the South African group which organises the world's rough diamond cartel, has lost its exclusive contract with Société Minière de Bakwanga, Zaire's largest diamond producer. This was confirmed by Mr Mwana Nanga Mawampanga, financial commissioner for the rebel Alliance of Democratic Forces for the Liberation of Congo-Zaire, which now controls more than half ths country. Page 20

Dow Jones close to licence decision
Dow Jones and Company, the financial information and media company, may be close to s decision on licensing the Dow Jones Industrial Average, the most widely recognised stock market index, for derivatives trading. Derivatives licensing agreements could generate millions of dollars in new revenues for the company, which is under pressure from weak earnings and a flat share price. Page 20

NCB sells up to 30% of holdings
The family owners of National Commercial Bank (NCB), the largest in Saudi Arabia in terms of assets, have broken with 60 years of tradition by selling "up to 30 per cent" of their holdings to a group of 18 individual Saudi investors. Riyadh bankers describe the move as "the first essential step" towards making NCB a publicly quoted company. Pricing of the private placement was not revealed, but Riyadh banking sources said "it was done at par, on the basis of net asset value". Page 20

Kerry Packer drops casino plans
Mr Kerry Packer, the Australian businessman, has abandoned plans to buy the A$240m (US$200m) management contract at the new Sydney Harbour Casino. His withdrawal is likely to renew speculation that he is preparing for a takeover of John Fairfax, the newspaper publisher. Mr Packer – whose listed Publishing & Broadcasting group already controls Channel Nine, Australia's biggest commercial television network – is barred from owning more than 15 per cent of Fairfax by the country's cross-media ownership rules. Page 20

Hope for end to Eramet nickel row
The protagonists in the row over a New Caledonian nickel concession to Eramet have agreed to seek a solution to the controversy that pitted the mining group's management and its anglo-saxon minority shareholders against the French state that controls 55 per cent of it. The problem stems from a push by Kanak nationalists in New Caledonia, who control the local SMSP mining company, to build a nickel smelter in tha north of the Pacific territory with the help of Canada's Falconbridge using nickel from a concession held by Eramet. Page 20

Endesa expects profits of $296m
Endesa, the Spanish electricity group majority-owned by the Spanish government, is this week expected to report first-quarter net profit after minorities of Pta40.93bn-Pta42.89bn ($296m) compared with Pta42.63bn a year earlier, according to analysts' estimates. Page 21

Eurobonds widen access to Korea
The issue of the first eurobonds in Korean won has given international investors greater access to one of Asia's largest fixed-income markets. Last month's deals by the World Bank and the European Bank for Reconstruction and Development (EBRD) were ground-breaking. Page 23

Zimbabwe stocks show promise
Investors in Zimbabwe's stock market are anticipating another strong performance from one of ths world's best-performing emerging markets last year. They nearly doubled their money last year as the market soared 92.5 per cent in dollar terms. Page 23

Questions raised over cocoa's future
What next for cocoa? This is a question traders are asking. Since mid-February tha cocoa price has risen about 20 per cent, from a low of £855-£1,039 a tonne in London, and from $1,253-$1,490 a tonna in New York. According to a review of trading in the first quarter by the International Cocoa Organisation, the rise in price reflects market expectations of a big production deficit in the 1996-97 year. Page 22

Forex market weighs up chancellor
The forex market will spend this week second-guessing likely moves by the new UK chancellor Mr Gordon Brown. Most economists agree the UK economy needs slowing down, the qnestion is which brake Mr Brown will use most: higher taxes, or higher interest rates? Page 22

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Market Statistics http://www.FT.com

Dow Jones may license industrial index

By Laurie Morse in Chicago

Dow Jones and Company, the financial information and media company, may be close to a decision on licensing tha Dow Jones Industrial Average, the most widely-recognised stock market index, for derivatives trading.

Derivatives licensing agreements could generate millions of dollars in new revenues for the company, which is under pressure from weak earnings and a flat share price.

The move would also further raise the Dow Jones marketing profile, particularly if the arrangement allowed contracts on the popular index to be traded on non-US exchanges.

Dow Jones executives travelled to Chicago and other US market cities last month to make presentations to derivatives exchanges of its products. These included the company's sectoral indices, such as utilities and transport, and a number of foreign stock market indicators, as well as the 30-stock industrial average.

The company said a number of exchanges had met an April 25 deadline for proposals to trade Dow Jones derivatives.

The Chicago Board of Trade, the Chicago Mercantile Exchange, and the Chicago Board Options Exchange all confirmed they had snbmitted propoeals, while regional US stock exchanges are also believed to have entered the bidding.

At least one European exchange, the Deutsche Boerse AG, has said it would be interested in trading contracts on the DJIA.

Exchange executives said they were not given any specific timetable for when Dow Jones would reply to their proposals.

Dow Jones said only that it planned to respond in a "timely" manner. One market official described the hustle to get a Dow listing as a "gold rush" by the exchanges.

In spite of the heightened speculation, Dow Jones has made it clear that a decision to allow contracts on the DJIA has not yet been taken.

The company has shied from associating its name with derivatives in tha past, strongly rebuffing approaches from the CME and tha CBOT in the past decade.

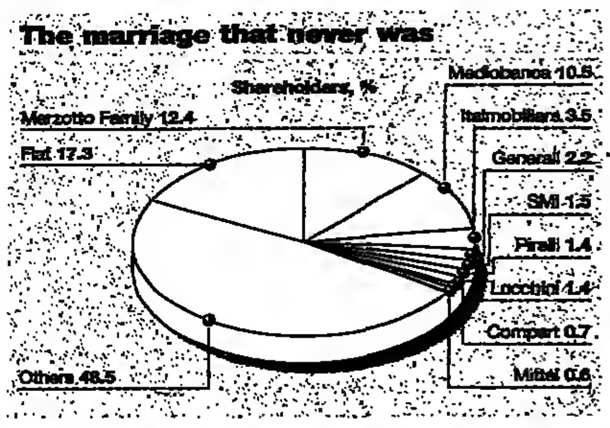
"When derivatives were new, you could say we were concerned about how well-policed they were," said one Dow executive. "Thare were a lot of questions. I think tha marketplace has answered those questions."

Derivatives exchanges typically pay a volume-based licensing fee to index providers.

The Standard & Poor's group currently controls the biggest equity index licensing franchise in the US, with contracts traded on its S&P 100 and S&P 500 indices on the CME and the CBOE. Stock index derivatives were introduced in 1973, and are now traded worldwide.

Marriage broker fails again

HPI's break with Marzotto looks bad for Mediobanca



As a broker of business marriages, Mediobanca, the powerful Milan merchant bank, is beginning to look fatally jinxed.

Mediobanca has now failed in its second attempt to find a suitable partner for HPI, the industrial portfolio of tha Gemina group whose shareholders are headed by Fiat and comprise the 'salotto buono' – the cream of Italian privete business.

Marzotto's announcement of the break with HPI left little doubt that there would be second thoughts on what only two months ago was dubbed 'the marriage of the year'.

Precisely because Mediobanca tried and failed two years ago to provide for Gemina's future, the reputation of the Milan merchant bank is likely to be the first casualty.

In a damage limitation exercise, Mediobanca's supporters are pointing out that in the Anglo-Saxon world it is not taboo to unravel mergers at the last moment. But the HPI-Marzotto link-up – dubbed *Big Gim* – was no ordinary merger and the shareholders represent the pride of Italy's business community.

The significance of the failed merger needs to be seen against the backdrop of the aborted effort by Mediobanca in September 1995 to create 'Super-Gemina'. This was an enormously ambitious project to resolve tha problems created by the 1993 collapse of the Ferruzzi-Montedison group.

It entailed bringing together in a new conglomerate the Ferruzzi-Montedison agribusiness and chemicals assets, the chemicals activities of Fiat, and the portfolio of Gemina (textiles, publishing and finance).

The conglomerate would have been Italy's second largest private group but it lacked any clear industrial or financial logic other than suiting a few of the main shareholders.

The project soon fell apart because previously undisclosed losses appeared in the balance sheet of Gemina and some finance subsidiaries. (The latter are now the subject of a judicial investigation).

Mediobanca licked its wounds but did not give up. Last October it decided to split Gemina – hiving off its loss-making finance activities and forming HPI to house its industrial holdings, which include the successful Fila sportswear group.

The split was announced when talks were already in progress with the Marzotto family on a form of merger. Last July Mr Enrico Cuccia, Mediobanca's veteran honorary chairman, is understood to have given the go-ahead to Mr Maurizio Romiti, one of the top executives in the bank, to sound out Mr Pietro Marzotto, the group's chairman.

This time the fit seemed better since with HPI's Fila allied to Marzotto, more than L5,000bn ($2.9bn) of the new group's L8,200bn turnover would come from textiles and clothing with such labels as Hugo Boss, Armani and Prada.

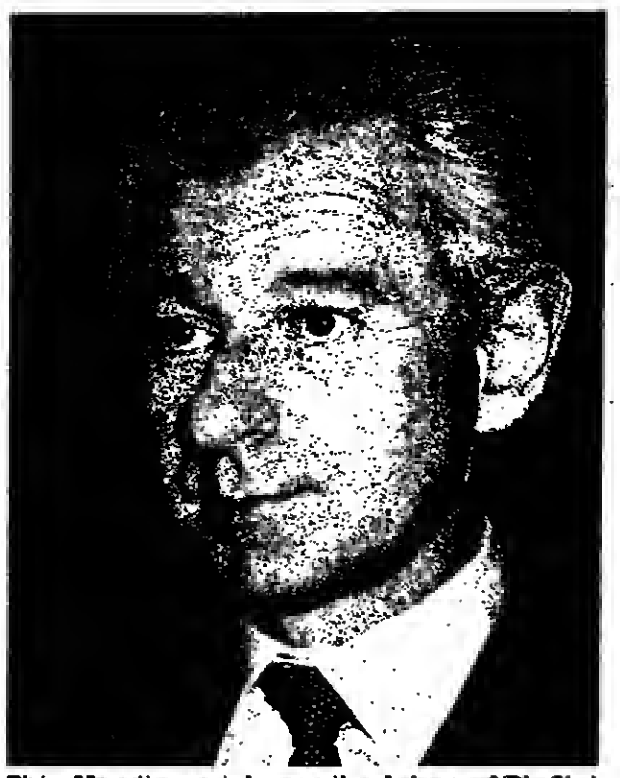
Several elements lie behind the break-up less than three weeks before shareholders were due to approve the merger.

First, the two groups approached tha merger from different perspectives. Mediobanca wanted to relaunch the industrial portfolio of Gemina by creating critical mass with Marzotto, probably with the idea of expanding into other luxury goods areas. HPI brought a war chest of L1,000bn in liquidity.

The Marzotto family on the other hand needed the security of HPI's capital resources and the protection of a bigger group to compete more effectively, while ensuring a smooth generational change within the family. (The Marzotto group is a six-generation business dating back 161 years).

There are also reports of some among the more than 50 family shareholders approving the merger because they wanted to cash in some of their assets.

Against this background there was probably more room for misunderstanding than imagined at the outset. Added to this, the Marzotto family began to feel it was being marginalised in the new management structure. Mr Pietro Marzotto was to be the executive chairman while Mr Romiti, placed by Mediobanca and its salotto buono allies, would be the chief executive.


Pietro Marzotto, was to be executive chairman of 'Big Gim'

This had the seeds of serious conflict with Mr Romiti, the son of Fiat chairman Cesare Romiti, out to prove himself amid suggestions his father might eventually come to take over the chairmanship of Mediobanca.

As it was, Fiat and Mediobanca would have had almost 28 per ent of the equity and Marzotto only 12.4 per cent.

Other differences arose because the Marzottos feared HPI did not have a focused industrial strategy.

Perhaps more importantly, they realised they might be shortly called on to contribute to a capital increase. If they did not contribute, their stake would have been diluted. Thus Marzotto, et a high price, has cut loose to be on its own. So far it has yet to spell out its alternate strategy.

Mediobanca never comments in such circumstances. But the comments are likely to come from the bourse today in the way investors treat its shares – and indeed those of HPI, which have never been quoted outside the context of the Marzotto merger.

Robert Graham

De Beers loses diamond contract in Zaire

By Mark Ashurst in Lubumbashi

De Beers, the South African group which organises the world's rough diamond cartel, has lost its exclusive contract with Société Minière de Bakwanga, Zaire's largest diamond producer.

This was confirmed by Mr Mwana Nanga Mawampanga, financial commissioner for the rebel Alliance of Democratic Forces for the Liberation of Congo-Zaire, which now controls more than half the country, including the mineral-rich Shaba province.

"These diamonds make up only 20 per cent of the country's production. There will be no more monopoly and De Beers will have to compete with everyone else," Mr Mawampanga said in an interview. He denied suggestions by De Beers that the situation was "fluid" and no final decision on the contract had been reached.

The contract is strategically important in the industry because most of the diamonds produced by Société Minière de Bakwanga (Miba) are low-grade. Prices in this segment of the market weakened last year following an increase in supply from independent sellers operating outside De Beers' Central Selling Organisation.

Mr Trudon Katende Muya, appointed president director general of Miba by the rebel forces last month, said only one competitive auction of its diamonds had been held. The stones were bought last month by De Beers, which holds an indirect stake in Miba through its 20 per cent interest in Sibeka of Belgium. Miba is 20 per cent owned by Sibeka, with the balance held by the state.

De Beers is estimated by some analysts to have paid a premium of 20–30 per cent to maintain its supply. Last year it paid $70m for Miba's entire annual production at $10 a carat. Miba provided about 1.4 per cent of De Beers' total diamood intake.

De Beers is keen to avoid any increase in the supply of low-grade rough diamonds by-passing its London-based Central Selling Organisation.

"Our entire philosophy is that single channel marketing has sustained our industry for more than 60 years. It has kept Miba in business," said a spokesman.

The collapse of the Miba contract follows the leakage of similar quality stones from Russia; the sale of strategic stockpiles by the US; and an increase in production at Argyle, the Australian group which quit the CSO last year. These sales had "severely undermined" prices at the lower end of the market, said the spokesman.

Mr Mawampanga also blamed De Beers for the weakness in the diamond market in the early 1980s, when Miba had previously abandoned the cartel.

Packer abandons plans to buy casino contract

By Nikki Tait in Sydney

Mr Kerry Packer, the Australian businessman, has abandoned plans to buy the A$240m (US$200m) management contract at the new Sydney Harbour Casino (SHC). His withdrawal is likely to renew speculation that he is preparing for a takeover of John Fairfax, the newspaper publisher.

Mr Packer – whose listed Publishing & Broadcasting group already controls Channel Nine, Australia's biggest commercial television network – is barred from owning more than 15 per cent of Fairfax by the country's cross-media ownership rules.

However, the federal government is reviewing the rules, in keeping with an election commitment, and is believed to be close to announcing its new policy.

Mr Packer admitted two years ago that he would like to own Fairfax, which publishes the main heavyweight papers in Sydney and Melbourne, as well as the Australian Financial Review, the leading financial daily.

At present, the other main shareholder in Fairfax is Brierley Investments, with a 19.9 per cent interest bought last year from Mr Conrad Black, the Canadian media owner.

PBL announced its casino plan – first unveiled in early-January – had lapsed. Mr Brian Powers, chairman, said the decision had been "reinforced by a concern that this transaction could have hampered PBL's ability to achieve other key strategic initiatives under consideration." Mr Dick Warburton, SHC chairman went further, linking the Packer withdrawal directly to its plans for Fairfax.

There also appeared to have been tension between the New South Wales Casino Control Anthority, and its insistence on thorough probity checks, and the Packer company.

Mr Powers claimed the CCA had hampered the casino deal by refusing to allow Showboat, the US company which has the current management contract, to provide PBL with documents necessary to evaluate the $240m purchase.

Showboat said it intended to retain its existing position in the management company and the ownership of SHC.

NCB moves towards public ownership

By Robin Allen in Dubai

The family owners of National Commercial Bank (NCB), the largest in Saudi Arabia in terms of assets, have broken with 60 years of tradition by selling "up to 30 per cent" of their holdings to a group of 18 individual Saudi investors. Riyadh bankers describe the move as "the first essential step" towards making NCB a publicly-quoted company.

Pricing of the private placement was not revealed, but Riyadh banking sources said "it was done at par, on the basis of net asset value".

The deal came as NCB reported a 20 per cent rise in 1997 first-quarter profits to SR267m ($71m). Total assets, which are almost twice as large as its nearest rival, Saudi American Bank, are up 9 per cent from the end of last year and more than 12 per cent from the end of last year's first quarter.

The private placement by Mr Khalid Bin Mahfouz, NCB chairman, and his wife Naila Abdul-Aziz Kaaki, follows a Saudi council of ministers decision authorising NCB to change status from a joint liability partnership to a joint stock company.

Under Saudi law, the bank's shareholders can only trade shares among themselves for two years after becoming investors. After that they are free to sell on the open market, which in Saudi Arabia, for lack of a stock exchange or market-makers, is done through the banks themselves.

However bankers point out that NCB, with capital now at more than $2.1bn and a capital-to-risk assets ratio of 19 per cent, more than twice the safety level set by Basle's Bank for International Settlements, has no need to raise money.

Under its previous chairman, Mr Mohammed Bin Mahfouz, who stepped down last July in favour of his brother Khalid, NCB more than doubled capital and profits, as well as overcoming several other problems.

These included a costly involvement with the Bank of Credit & Commerce International, shut down by the Bank of England in June 1991; billions of riyals of problem loans, many reckoned to have been to members of Saudi Arabia's Al-Saud ruling family; and the death in 1994 of its founder, Mr Salim Bin Mahfouz.

The current chairman, Mr Khalid Bin Mahfouz, has indicated he would pursue the strategy laid down by his elder brother, part of which was to "extend ownership as the NCB moves progressively towards public ownership".

All of NCB's new shareholders are prominent in the kingdom's financial and business community and several are related to the Bin Mahfouz or Kaaki families. A new nine-member board has been set up which includes four of the shareholders who are members of either family.

INTERNATIONAL NEWS DIGEST

Protagonists seek deal over Eramet

The protagonists in the row over a New Caledonian nickel concession to Eramet have agreed to seek a solution to the controversy that pitted the mining group's management and its Anglo-Saxon minority shareholders against the French state that controls 55 per cent of it.

The problem stems from a push in New Caledonia by Kanak nationalists, who control the local SMSP mining company, to build a new nickel smelter in the north of the Pacific territory with the help of Canada's Falconbridge, using nickel from a concession held by Eramet. After three-way talks on Friday in Paris, Eramet, SMSP and Falconbridge issued a statement saying they had asked their experts "to refine in the coming weeks the technical, legal and financial means" of creating the new smelter.

The negotiations are the initiative of the Eramet management, which is contesting the action of its majority owner, the French government, to strip it of its Koniambo concession, which would be given to SMSP and Falconbridge to feed the new smelter. The Eramet management believes its interests, and those of its irate minority shareholders, would be better served by a deal between industrial operators in New Caledonia than in a political and legal fight with the French state and Kanak nationalists. The negotiations are aimed at reaching agreement on the swap of Koniambo for a smaller concession currently held by SMSP, on financial compensation for Eramet, and on the new smelter and nickel supplies for it. *David Buchan, Paris*

Aon on course to save $250m

Aon, the large US-based international insurance broker, expects to generate about $250m in cost savings from merging with other insurance brokers it has acquired in recent months. Mr Patrick Ryan, chief executive, said the group would stick to the acquisition trail in order to grow. Aon bought US rival Alexander & Alexander for $1.23bn earlier this year and has also acquired UK-based brokers Bain Hogg and Minet.

Aon on Friday reported a 10 per cent increase in income from continuing operations for the first quarter from $145.6m to $160.2m, on a 43 per cent rise in total revenue to $1.35bn. However, it was forced to take a $145m charge at the pre-tax level for restructuring charges related mostly to the merger with Alexander & Alexander. *Christopher Adams*

Westpac to buy more shares

Westpac, the Australian banking group, has announced a buy-back scheme for 50m shares, or about 2.8 per cent of its equity. It said the programme was an extension of a previous scheme, announced in November 1996. This was not completed in the required time because repurchasing had to be suspended while Westpac was negotiating with Bank of Melbourne, the regional bank for which it made a takeover bid. The new buy-back programme will start on May 19, and run for six months, or until the bank has bought the 50m shares. The bank will not buy before May 19 because of the impending half-year profits announcement on May 14. *Nikki Tait*

Bumble Bee sold for $163m

Unicord, the debt-ridden Thai seafood producer, has agreed to sell Bumble Bee Seafoods, the giant US canned tuna company, to Dallas-based International Home Foods for $163m. As part of the agreement, Bumble Bee filed for bankruptcy protection in US courts on Friday.

Unicord bought Bumble Bee for $267m 10 years ago. It used a costly leveraged financing method to complete the purchase but was unable to integrate its Thai, US and Ecuadorian operations into an efficient unit. Unicord quickly ran into trouble, and was unable to make debt payments, believed to be about $350m, to its main creditors, Bangkok Bank and Bankers Trust.

Attempts to rescue the company stalled when Unicord President Mr Dumri Konuntakiet, who led the takeover, committed suicide in his office in early 1995. Bumble Bee said it hoped to close the sale within 45 to 60 days and would then begin operating independently. The company had initially explored a merger with Starkist, the leading US canned tuna company, but feared such a deal would breach US anti-trust laws. *Ted Bardacke, Bangkok*

Rank Group warns on pay

Rank Group, the UK's biggest bingo operator, has told middle-level club managers that most of them face a £2,000 annual pay cut – more than 10 per cent in many cases – or redundancy under a shake-up intended to save £1m ($1.62m) a year. Mr Barry Pickersgill, managing director of Top Rank bingo clubs, revealed the change on Saturday at a meeting in Birmingham of 300 support managers from its 180 clubs.

Rank confirmed yesterday that re-organisation plans had been put to managers. It said there would be some winners and some losers because hours were going to be cut. The change was being done in the interest of efficiency and would have a "mildly positive" effect on profits. Rank's gaming business, which includes casinos as well as bingo clubs, made operating profits of £56m on turnover of £372m in 1996. *Clay Harris*

Waterford bid may be raised

Avonmore, the Irish based foods company, is expected to announce this week whether it will increase its offer for Waterford Foods, when it holds its annual general meeting tomorrow. In rejecting Avonmore's initial I£290m ($194m) one-for-two share offer late on Friday, the Waterford board invited counter-bids in what looks set to become an auction for the Dungarvan-based company.

Waterford shareholders were unanimous, but analysts believe it is unlikely to be the final offer from Avonmore. The Waterford board appeared to be courting other suitors to step in when it conceded the need for a "merger or industry consolidation to increase shareholder value and secure the best future for all its stakeholders".

It was forced to issue a profits warning shortly before announcing its year-end results last month. But it is one of Ireland's largest milk companies. A merger with Avonmore would create the biggest dairy company in the UK and Irish market, and account for 20 per cent of UK cheese production. Avonmore has offered Waterford an undertaking to raise milk prices which will be worth more than I£30m. *John Murray Brown, Dublin*

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Peter Martin

Tactical voting for equity values

Do elections matter to investors? The question is particularly relevant at the moment, not just because of Labour's overwhelming victory in the British poll, but because there are parliamentary elections pending in France, Canada and the Irish Republic.

Should investors spend any time at all thinking about the consequences of these votes? Traditional cross-border investment has emphasised political risk, domestic macro-economic policy, and corporate taxation – all factors which are supposed to be closely linked to politics.

Yet for the moment, at least, there are good grounds for ignoring the reams of electoral analyses which pour from the word-processors of the brokers' research departments. Taking a robust view that elections don't matter would allow investors to spend their time on more directly fruitful activities, such as searching ont undervalued companies and thinking profound thoughts about global asset allocation.

Start by looking at the chart alongside, a cruda attempt to show the value delivered to investors by the four governments facing votes. It measures the relative performance, as compared with the FT/S&P Actuaries World Index, of the four country indices between the last election and the present. Each country is measured over a different term: Canada and France since election dates in 1993, Britain and Ireland since 1992. But the overall picture is clear: as far as investors are concerned, two governments have delivered poor value, in dollar terms, and two have done well – one of them, the Irish government, spectacularly.

The two governments which have done best have combined strong economic growth with fiscal retrenchment; the worst has provided fiscal austerity, hut no growth. The UK achieved the growth, but not perhaps quite as much fiscal restraint as investors might have liked.

In all four countries, however, the choice of policy has been largely outside governmental control. France and Ireland have bad their macro-economic policy set hy the needs to achieve the Maastricht criteria. Canada *had* no option but to cut back its government deficit.

The UK, although ostensibly freer to pursue an independent economic policy since its ejection from the exchange rate mechanism of the European Monetary System, has in fact been almost as constrained as its neighbours. Pressures on government finance, the desire to keep options open on Maastricht and the political consensus for low inflation have produced macro-economic policies largely indistinguishable from those of continental Europe.

This is just the beginning. Most of the European Union is inteot on placing the crucial elements of macro-economic management outside the control of elected politicians. Monetary policy will be in the hands of the European Central Bank; fiscal policy will be set by the arbitrary formula of the stability pact.

Evsn countries which have not formally chosen to exclude macro-economics from the political realm are increasingly forced to adopt a common policy. Participating in the integrated global economic and political system means submitting to the oversight of the international capital markets. It is possibls to opt out, of course, but since the collapse of the autarkic experiments in Russia, China and their satellites, this has little sppeal to politicians or electorates.

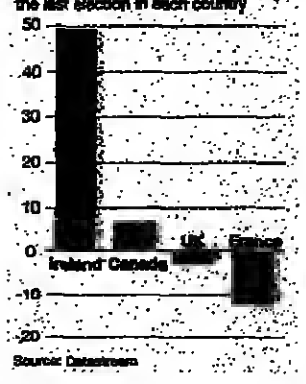
From an equity investor's point of view, in any case, big companies are increasingly uncoupled from their domestic economies. A big company's nationality is largely determined now by its internal culture, and by the tax rates and corporate government rules of its country of origin. Corporate taxes are easily avoidable. That leaves culture and corporate government as the two remaining areas which still carry a strong national flavour.

Investors who insist on keeping an eye on election campaigns should therefore watch out for two quite distinct factors. The first is the specific promises on corporate regulation which rival parties include in their manifestos – if any of them can be persuaded to give houseroom to such a deadly subject. The second is the extent to which a change of political leadership will help or harm the entrepreneurial aspects of national culture.

Neither of these two factors will receive mucb attention in the brokers' analysis of political risk. But each of them is likely to have more long-term impact on equity values than the issues to which analysts devote so much effort.

The election effect

Percentage change in FT/S&P indices relative to the World (in $ terms) since the last election in each country



Source: Datastream

Total return in local currency to 01/05/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.06	0.06	0.13	0.12
Month	0.47	0.05	0.27	0.28	0.62	0.51
Year	5.88	1.13	3.31	4.00	8.56	6.40
Bonds 3-5 year						
Week	1.05	-0.43	0.32	0.41	0.48	0.72
Month	1.22	-0.24	1.04	0.86	2.84	1.55
Year	6.14	6.08	7.81	8.39	15.47	8.32
Bonds 7-10 year						
Week	1.66	-1.12	0.60	0.64	0.56	1.41
Month	1.84	-0.30	1.78	1.54	3.76	2.40
Year	6.71	10.71	10.85	11.58	22.20	11.66
Equities						
Week	3.5	2.4	1.0	3.6	1.3	1.1
Month	5.1	7.0	3.8	2.4	6.7	4.3
Year	23.4	-11.6	37.6	27.2	17.9	16.7

Source: Cash & Bonds – Lehman Brothers. Equities-© FT/Extel Index Unit. The FT/S&P Actuaries World, Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE — Compiled By AFX News

Cuts in prices and demand hit Endesa

Endesa, the Spanish electricity group majority-owned hy the Spanish government, is this week expected to report first quarter net profit after minorities of Pta40.93hn-Pta42.89hn ($296m) compared with Pta42.63hn a year earlier, according to analysts' estimates.

Lower electrical energy consumption and production, along with a 3 per cent cut in tariffs from January 1, will be the key reasons hehind the weak earnings performance, analysts said.

Higher tax and depreciation charges, combined with an increase in financial expenses due to the borrowing costs of raising its stakes in Fuerzas Electricas de Cataluna and Sevillana de Electricidad to 75 per cent each, will also depress the bottom line, they said.

Net profit estimates range from Pta40.93bn by BBV to Pta42.89bn hy Inverban, with BCH forecasting Pta41.04bn.

Mr Alberto Nunez, BBV analyst, said: "The main reason behind the profit fall is falling consumption and production levels, as well as the 3 per cent tariff cut."

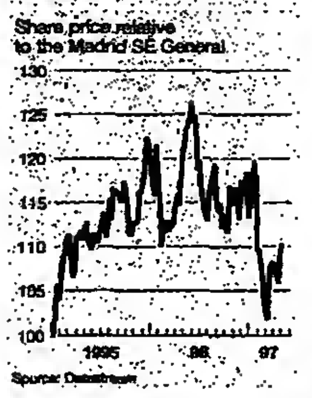
For the utilities as a whole, electricity production has declined by more than consumption because of the increasing ahare sold hy vehicle-producers to the market, analysts said.

Electricity consumption declined 1.9 per cent in the first quarter from a year earlier, while output fell 2.4 per cent.

Analysts said the fall in demand reflected the unseasonally warm weather during February and March and distorting factors, including an extra day in 1996 because of the leap year and lower industrial consumption because the Easter break fell in the first quarter.

Endesa

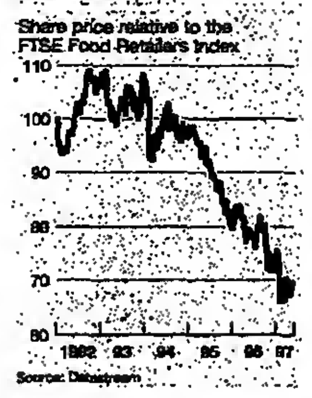
Share price relative to the Madrid SE General



Source: Datastream

J Sainsbury

Share price relative to the FTSE Food Retailers Index



Source: Datastream

■ Norske Skogindustrier, the Norwegian forestry company, is expected to report on Wednesday first-quarter net profit of NKr130m-NKr142m ($20m), compared with NKr429m a year earlier, analysts said.

The fall in earnings has been driven mainly by weaknesses in the newsprint market, which has seen prices fall by as mnch as 20 per cent since the start of the year.

■ The continued progress of British Sky Broadcasting, the satellite television venture, will show up in third quarter results to he published on Wednesdsy.

Last year in the quarter to March 31 BSkyB had pre-tax profits of £71m ($115m).

The third quarter is never the highest earning quarter for the group hut it is usually when benefit from the pre-Christmas sales period starts to come through.

The forecast of £80m pre-tax by Mr Neil Blackley, analyst at Merrill Lynch, is expected to be very close to the mark, although there are more pessimistic forecasts in the market.

If anything the BSkyB outcome could be a little higher than £80m.

■ British Pstrolenm announces its first quarter results on Tuesday. The range of analysts' forecasts for net income is £650m-£720m, with an average of £685m. The results should reflect the fact that oil prices in the first qnarter of the year were relatively high, although they have since declined sharply. The market perceives BP as being particularly geared to the oil price.

■ Lower high-fructose corn syrup prices in the US because of excess capacity will depress interim results at Tate & Lyle, the UK sweeteners and starch group, on Wednesday. Profits of £120m compare with £168.8m in the good first half of 1995. The outcome will not be helped hy weakness in its European starch and Australian sugar husinesses, although the US sugar arm will bensfit from higher prices.

■ Mr Peter Jarvis will on Wednesday present his last annual results for Whitbread, the UK brewer and leisure group, before handing over as chief executive to Mr David Thomas. Profits will he up from £283m to about £320m. In the past couple of months Whitbread has sold its 13 Country Club hotels to Regal and its Keg North American restaurant chain to a Canadian group. Observers will be looking for reassurance the group will concentrate on organic growth, investing disposal proceeds in hrands such as TGI Friday and Cafe Rouge.

■ J Sainshury will come under close scrutiny on Wednesday when the UK retailer is expected to announce annual pre-tax profits for 1996-97 of about £648m, a 15 per cent decline on last year. The market will want to see some signs that the supermarket chain has halted the slippage in margins which led to January's surprise profits warning. According to NatWest Securities there are some signs that at least the fall in market share has bottomed out. However, the group will have to demonstrate that it is maintaining this without damage to profit.

■ Earnings in the six months to March 31 remained strong at Royal Bank of Scotland's core retail hanking operations, while its corporate business is firing on all cylinders. Overall, hrokers Credit Lyonnais Laing expect pre-tax profits of £374m, including ahout £15m of exceptional disposals. The dividend is expected to rise 15 per cent to 6.2p.

INTERNATIONAL EQUITIES By Michael Lindemann

Tough US market for IPOs

Times are tough for companies seeking to sell public offerings of stock into the US market and it seems, judging by data for April, getting tougher.

According to figures compiled hy Securities Data Company, the proceeds from US IPOs in April were fewer than at almost any point in the last two years.

Only in one month since March 1995 have there been as few as 32 IPOs in the US, the latest survey said. Proceeds from April's IPOs amounted to $1.39bn, against $7bn in the same month last year and $2.3bn in the same month two years ago.

Securities Data suggests the April figures are not an anomaly, pointing out that in the first quarter of this year there were 138 new issnes, compared with 170 during the same period last year. The proceeds from them amounted to $5.6bn in the first quarter of 1997 compared with $8.25bn.

Moreover, much of April's IPO volume has been concentrated in a handful of issues. "In their absence April would have likely been one of the worst months for IPOs this decade." And, Securities Data point out, many leading underwriters such as Salomon Brothers, Hambrecht & Quist and Morgan Stanley did not act as lead managers on any IPOs during April.

Other figures, compiled by Capital Data and based on the international tranches of all IPOs worldwide, underline the recent dearth. Last month was the fifth lowest month both in terms of the number of issues and the proceeds – there were eight IPOs with international tranches and $586m was raised.

Bankers are quick to acknowledge the problems facing the US market. One banker at Salomon Brothers points out that Nasdaq has been running at a loss so far this year and that new entrants to the market have found it "very difficult because people don't feel the current valuations are justifiable."

They argue, however, that the prospects for the European IPO market are much better. Several issues, ranging from France Telecom to OTE, the Greek telecoms company, are coming to the market later this year. "Valuations in Europe are more justifiable, corporate earnings are strong and there is a privatisation drive in Europe."

Other bankers are more sceptical. They say the banks that are enthusiastic about prospects for European IPOs are simply "talking their own books". They also point out that the number of forthcoming issues "points to an abundance of supply but says nothing at all about demand."

One US investment banker based in London dismisses the idea that European demand for IPOs will not, sooner or later, follow the American example and slow down considerably.

One reason that is likely to happen, he says, is hecause the links hetween the atock markets in New York and London are extremely close, with the latter invariably taking its lead from the former. By way of illustration he point out that the London market always goes very quiet at about midday in London, waiting to see what New York will do when it opens.

And he argues, that because the performance of fund managers is to a large extent determined by the performance of their peers, the despondence among US fund managers is bound to spill over to Europe.

FT/S&P ACTUARIES WORLD INDICES

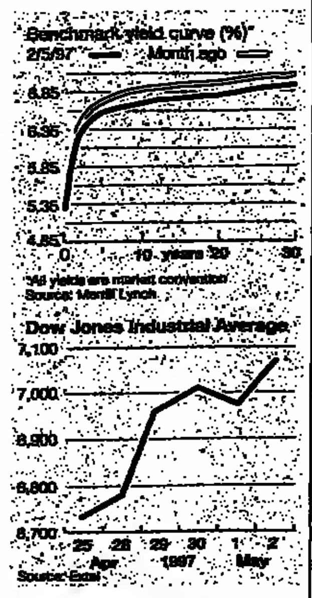
The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MAY 2 1997 US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	THURSDAY MAY 1 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	228.73	3.1	209.57	183.24	205.54	193.92	4.4	3.92	228.19	208.33	182.13	203.88	193.28	228.73	188.44	211.84
Austria (24)	181.40	-4.5	166.20	145.32	163.01	162.94	7.2	1.95	180.58	164.86	144.13	161.34	181.28	195.04	174.70	187.29
Belgium (28)	243.65	7.0	223.24	195.18	218.95	214.34	20.2	3.34	243.60	222.40	194.43	217.65	213.07	243.65	205.89	209.02
Brazil (30)	248.58	31.1	227.76	199.14	223.38	486.90	34.2	1.55	246.33	224.90	196.62	220.09	482.26	248.58	157.23	157.63
Canada (114)	196.64	3.6	180.17	157.53	176.71	196.84	4.5	1.98	191.45	174.79	152.81	171.06	193.16	208.31	154.12	161.36
Denmark (32)	360.86	2.5	330.63	289.09	324.28	323.01	14.4	1.57	361.41	329.96	288.46	322.91	321.49	376.96	291.89	295.17
Finland (28)	260.29	6.0	238.48	208.52	233.90	284.43	19.7	1.80	259.48	236.90	207.11	231.84	281.04	268.58	188.06	187.16
France (91)	218.67	2.1	200.35	175.17	196.50	199.89	14.5	2.85	218.17	199.19	174.13	194.93	198.86	226.25	186.94	197.68
Germany (59)	201.32	6.0	184.45	161.28	180.91	180.81	18.9	1.55	201.48	183.94	160.81	180.01	180.01	207.65	164.47	166.50
Hong Kong (66)	468.55	-7.6	429.30	375.36	421.05	466.05	-7.4	3.22	467.24	425.58	372.94	417.47	464.71	514.49	407.55	429.81
Indonesia (27)	223.75	-1.9	205.01	179.25	201.07	333.63	0.9	1.64	224.07	204.57	178.84	200.20	334.43	–	–	–
Ireland (16)	334.10	1.6	306.11	267.65	300.23	315.65	15.3	3.03	333.26	304.25	265.99	297.78	314.66	343.35	270.08	274.72
Italy (59)	88.20	5.7	80.81	70.66	79.26	112.84	19.0	2.20	88.12	80.45	70.33	78.73	112.03	96.32	73.26	83.47
Japan (485)	119.86	-7.9	108.90	95.22	106.81	95.22	0.6	0.82	118.03	107.76	94.21	105.46	94.21	161.12	107.57	161.12
Malaysia (107)	538.72	-10.7	493.59	431.57	484.10	520.46	-11.3	1.23	529.58	483.49	422.70	473.17	511.27	660.85	512.47	583.57
Mexico (27)	1350.38	10.7	1237.27	1081.80	1213.49	11892.33	11.3	1.24	1343.57	1226.84	1072.39	1200.44	11869.74	1445.68	1110.35	1240.73
Netherland (19)	352.82	5.0	323.27	282.65	317.05	313.11	18.0	2.50	355.94	324.86	284.10	318.02	314.17	357.18	279.66	288.80
New Zealand (14)	86.00	-6.3	78.79	68.89	77.28	86.08	-4.2	4.30	85.39	77.96	68.15	76.29	65.74	95.60	75.94	83.06
Norway (41)	295.36	-0.1	270.62	236.61	265.41	284.42	11.0	2.15	297.31	271.43	237.30	265.64	285.92	321.23	243.72	250.17
Philippines (22)	156.84	-23.0	143.70	125.65	140.94	206.15	-22.8	0.90	158.74	144.92	126.70	141.89	206.89	–	–	–
Singapore (43)	369.51	-12.0	338.56	296.02	332.05	246.42	-8.9	1.15	364.27	332.57	290.75	325.46	242.61	448.01	360.08	438.79
South Africa (44)	362.32	13.8	331.97	290.25	325.59	352.56	8.3	2.39	361.52	330.06	288.58	323.01	351.43	370.12	301.49	367.63
Spain (35)	229.64	4.5	210.40	183.97	206.36	253.64	17.1	2.58	230.17	210.14	183.72	205.65	253.27	230.17	171.91	176.03
Sweden (49)	421.39	-0.1	386.09	337.58	378.67	488.94	14.7	2.14	414.19	378.15	330.59	370.07	479.48	448.54	334.36	341.05
Switzerland (38)	271.81	13.8	249.04	217.75	244.25	248.10	24.9	1.32	270.06	246.56	215.55	241.29	245.45	271.81	229.36	239.47
Thailand (43)	75.64	-21.1	69.30	60.58	67.97	76.63	-19.8	4.08	75.66	69.07	60.39	67.60	76.67	104.18	73.98	182.22
United Kingdom (211)	266.05	1.0	262.09	229.16	257.05	262.09	6.8	3.75	286.49	261.58	228.67	255.97	261.56	287.23	228.85	230.14
USA (653)	329.19	9.1	301.61	263.72	295.82	329.19	9.1	1.85	323.11	294.99	257.39	288.69	323.11	331.54	254.79	262.75
Americas (824)	301.08	9.0	275.87	241.21	270.57	253.54	9.1	1.84	295.49	269.77	235.85	264.01	248.92	303.45	233.09	240.22
Europe (726)	248.71	3.8	227.87	199.24	223.49	232.80	13.9	2.71	248.62	226.99	198.44	222.14	231.72	245.97	204.71	207.84
Nordic (150)	366.95	1.1	336.21	293.97	329.75	366.42	14.9	1.97	363.44	331.61	290.08	324.73	361.53	385.85	291.45	284.21
Pacific Basin (883)	137.57	-7.5	126.05	110.21	123.62	108.27	-1.2	1.35	136.66	124.78	109.07	122.10	107.24	174.23	127.18	174.23
Euro-Pacific (1609)	183.91	-1.4	168.50	147.33	165.27	155.29	6.8	2.11	183.34	167.38	146.33	163.81	154.24	191.51	173.55	189.12
North America (767)	321.07	8.8	294.19	257.21	288.52	320.43	8.8	1.85	315.02	287.61	251.44	281.46	314.51	323.69	248.65	256.44
Europe Ex. UK (515)	223.12	5.4	204.43	178.74	200.50	211.70	18.1	2.12	222.61	203.42	177.84	199.07	210.41	224.70	185.65	190.43
Pacific Ex. Japan (398)	296.12	-6.1	271.32	237.23	266.10	257.32	-5.4	2.87	294.42	268.79	234.99	263.05	255.72	320.85	268.97	296.88
World Ex. US (1824)	187.57	-0.6	171.86	150.26	168.55	161.38	7.0	2.10	156.73	170.52	149.08	166.89	160.20	193.47	176.94	189.19
World Ex. UK (2266)	227.60	4.0	208.53	182.33	204.53	204.17	6.0	1.78	224.80	205.24	179.43	200.86	201.38	228.59	196.58	209.68
World Ex. Japan (1992)	290.77	6.2	266.41	232.94	261.29	281.84	9.5	2.20	287.38	262.37	229.37	256.78	278.21	292.72	233.10	240.02
The World Index (2477)	232.60	3.7	213.12	186.34	209.02	209.49	7.9	1.98	230.06	210.04	183.63	205.55	206.87	233.38	202.32	211.56

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 129.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 2/5/97: Name changes: Bancorp Hawaii to Pacific Century Financial Corp (USA), Consolidated Freightways to CNF Transportation (USA), KLA Instruments to KLA-Tencor Corp (USA) and Waste Management to WMX Technologies (USA).

MARKETS: This Week

NEW YORK By Richard Waters



The US financial markets start this week in fine shape, with the Dow Jones Industrial Average 5 per cent higher – and the long bond yield 25 basis points lower – than seven days before.

To cap last week's stock and bond market rallies, the Clinton White House sealed an agreement with Congress on Friday afternoon for a budget deal to balance the nation's finances in five years. The late buying prompted by that news could spill over into today's trading – although the approach of the Federal Reserve's next policy-making meeting on May 20 is likely to induce an increasing sense of caution.

Among last week's generally good news on inflatioo – only a modest rise in the first-quarter employmeot cost index and a slight fall in hourly earnings in April – were warning signs that could prompt the Fed to raise interest rates for a second time.

April's unemployment rate of 4.9 per cent has not beeo seen in the US for more than two decades, while first-quarter GDP growth of 5.6 per cent was far above the 2.5 per cent rate the economy is thought capable of sustaining without fuelling inflation.

Despite signs that the economy is slowing, such dats bring to mind Mr Alan Greenspan's warnings of the need to act pre-emptively against inflation.

While the budget remains a plus, this week will provide little in the way of economic news to keep the bond market rally going. More important will be next week's reports of prodncer and consumer prices, which could well tip the balance one way or the other at the next Fed meeting.

LONDON By Philip Coggan

The big event of the week for the markets will be the meeting between Mr Gordon Brown, the new chancellor, and Mr Eddie George, the governor of the Bank of England, on Wednesday.

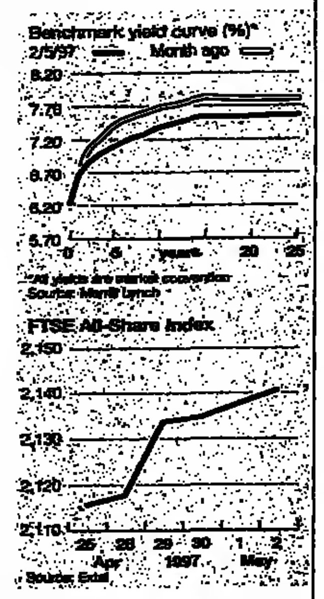
Mr George is expected to continoe the pressure he applied to Mr Brown's predecessor, Mr Kenneth Clarke, to raise interest rates.

Short sterling futures indicate that the markets expect rates to rise by half a percentage point over the next three months. Mr Brown may want to demonstrate his anti-inflationary credentials to the market and to get the bad news out of the way early in the Parliament.

There are some statistics due this week to give Mr Brown clues on the state of the economy: narrow money supply (M0) on Tuesday and industrial prodoction and manufacturing output on Wednesday.

The main problem for Mr Brown is the dichotomy between a strong consumer sector and industry struggling with the effect of the higher pound; a rate rise might slow the former, but would hit the latter.

Labour's policy plans will also be analysed closely as they emerge and tha City will be looking for any signs of "old Labour" beneath Mr Blair's apparent business-friendly approach. There are long-term concerns on corporate taxation, the minimum wage and the Social Chapter.



On the corporate front, there are results from BP, BSkyB, Royal Bank of Scotland, J. Sainsbury, Tate & Lyle and Whitbread. Analysts will be looking to see if tha figures suggest downgrades are needed to reflect the effect of sterling's strength.

FRANKFURT By Andrew Fisher

With the German stock market touching a new high on Friday, the prospect of further advances has whetted investors' appetites. After closing floor trading at 3,460.37, marginally below the record level of March 11, the DAX index of 30 blue chips edged past 3,500 for the first time in electronic trading. It ended slightly below this level at 3,491.

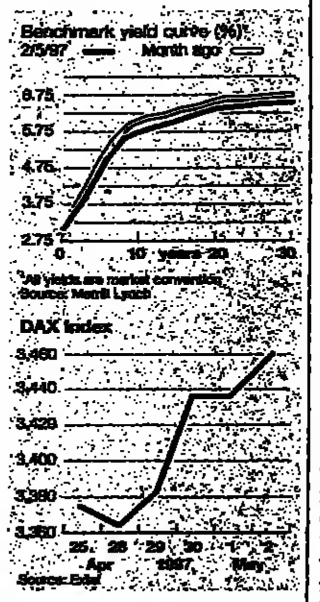
Strong performers included motor stocks such as BMW, Volkswagen and Daimler-Benz. Turnover was light, however, after the May Day holiday.

Events in the US continued to influence the German market, with a lower than expected rise in April amployment allaying concern aboot over-heating and further rises in US short-term interest rates.

Thus the stage could be set for further DAX records. Deutsche Morgan Grenfell expects the trend in the German equity market to be upwards, possibly until spring 1998. This could mean a DAX of around 4,000 over the next 12 months.

DMG said the German stock market was fairly expensive based on current earnings estimates but not relative to the bood market.

On the bond market, it expected the yield curve to become even steeper, with



10-year Bunds moving up to 6.5 per cent over 12 months from 5.8 per cent last week.

This week sees the publication of data on industrial production, new orders and unemployment.

Mr Eckhard Schulte, economist at IBJ Research in Frankfurt, expects them to show a more positive picture of the German economy than earlier figures this year. April's jobless figures should show that tha lay-off wave in manufacturing industry is about to bottom out.

TOKYO By [illegible]

Tokyo equities have benefited in recent sessions from revived interest among Japan's large institutional investors. The Nikkei 225 gained 8 per cent last month, largely due to buying by pension funds for the year starting April 1.

The Nikkei added 900 points over just four trading days last week, during Japan's annual "Golden Week" holiday period, to finish at 19,514.75 – topping the year's closing high of 19,446.00 on January 6.

Many investors were absent from the market during the holiday period, which ends with today's national holiday. The big question is whather last week's rally will continue when trading resumes tomorrow, or whether investors will move to take short-term gains and launch massive sell-offs.

Several analysts attribute the recent gains to technical, short-term factors hut others say buying by domestic institutions, particularly those managing public funds, has generated the new momentum.

Trust banks, which manage pension fund money, were net buyers of Japanese stocks in April, with purchases amounting to Y355bn ($2.8bn) on Japan's three key exchanges.

Fund managers say fresh inflows of pension fund-money are likely at least until June. Blue-chip exporters should remain in demand, reinforcing expectations that the Nikkei will soon break 20,000.

The stock market's advance has taken some of the heat out of Japanese government bonds, with some investors redirecting funds from bonds into equities, hut JGB prices recovered to post modest gains last week.

COMMODITIES By Maggie Urry and Gary Mead

Cocoa and coffee on the boil

What oext for cocoa? This is a question traders are asking themselves. Since mid-February the cocoa price has risen about 20 per cent, from a low of £855 to £1,039 a tonne in London, and from $1,253 to $1,490 a tonne in New York.

According to a review of trading in the first quarter by the International Cocoa Organisation, the rise in price reflects market expectations of a big production deficit in the 1996-97 year.

That has been supported by increased manufacturer buying and speculative buying by a leading trading house anticipating further price increases.

The ICO has increased its forecast of output from its December estimate by 93,000 tonnes to 2.72m tonnes, with African growers expected to produce more, but with a downward adjustment for US and Asian production.

The organisation has reduced its forecast for grindings, by 18,000 tonnes to 2.8m tonnes since its December estimate.

Even so, the estimated excess of demand over supply of 115,000 tonnes would mean stocks falling to 1.27m tonnes, or 45.3 per cent of the predicted demand.

The see-saw movemeot of coffee so far this year is equally perturbing for some traders. They have seen the benchmark July contract price for robusta on the London International Financial Futures Exchange rise from $1,200 a tonne in early January to a peak of $1,820 in March, before falling back at the end of last week to around $1,660.

But in New York, trading of arabica beans has of late been even more bullish, with the July price up almost 6 per cent, to almost 222.90 cents a pound; by late Friday it had retreated to $2.14.

The heat is on arabica rather than robusta beans, the latter being in relatively good supply. Brokers note that, with Brazil yet to enter its winter and face the inevitable threat of frost, and delays in supplies from Colombia, arabica prices have plenty of potential to remain firm in the medium term.

OTHER MARKETS Compiled by Jeffrey Brown

Helped hy neutral US jobs data, a number of leading bourses hit new highs on Friday and brokers saw the better mood continuing.

PARIS

French investors face another four-day week and trading is likely to remain volatile in low volumes. The bourse is closed oo Wednesday for a public holiday.

Last week's initial round of election opinion polls were mostly supportive, indicating a comfortable win for the ruling coalition.

But it is early days yet. Few political commentators are writing off the opposition at this stage in the election race. "Unlike the UK, this is not a one-horse race," said one broker.

Election pointers are going to remain the key domestic determinants. Concern about the outlook for the economy should the government be returned with a stronger mandate is starting to gnaw at sentiment.

According to UBS, a further round of fiscal austerity in order to keep the French economy on course for European monetary union will be one outcome of a win for Mr Jacques Chirac. This will not be good news for cyclical shares, the broker says.

Last week's upturn for the CAC 40 put the index back to within 64 points of its 2,709.21 March peaks.

ZURICH

Swiss sbares cootinued to perform strongly in thin volume last week, pushing the SMI index to new highs. At 20.6, the bourse's 1997 price-earnings ratio is the loftiest rating in Europe, marginally ahaad of Germany's. The April jobs data and a Nestlé analysts' conference are this week'a big events.

The foods giant is due to unveil 1997 first-quarter sales tomorrow and to talk about the outlook for the year as a whole. Sales growth of about 20 per cent is expected for the opening three months. Swiss unemployment continues to keep a tight lid on domestic demand. Friday's figures are keenly awaited.

STOCKHOLM

Nordic markets suffered from poor volume last week, but managed to rally nonetheless. A broadly favour able results flow from leading stocks, notably Nokia, kept shares moving ahead.

In Sweden, the possibility of a change in pension investment regulation is a hot talking point. The finance ministry may allow national pension funds to increase equity weigbtings. UBS says this could pump SKr100bn into the market, equal to 8 per cent of the market capitalisation of the Stockholm bourse.

HONG KONG

Consolidation is expected to set in on the Hong Kong market this week after a three-day rally which took tha Hang Seng Index back above 13,000, *writes Louise Lucas from Hong Kong.*

Red-chips, whicb have soared in recent weeks, are especially strong candidates for a correction, brokers warn. They bave already seen profit-taking.

The resistance point on the Hang Seng index, which closed on Friday at 13,145.98, is seen at 13,200. Property, whicb has been a dull sector lately, is expected to stage a atrong recovery if interest rates remain steady.

Switching by regional investment funds out of the Philippines, Indonesia and Malaysia, wbere Thai-style property scares continue to depress investor sentiment, is also benefiting share markets in Hong Kong.

With the handover of sovereignty to China now less than two months away, some of the more bullish brokers are looking for inflows of money from the Chinese mainland to underpin further advances for equities. There is also a long pipeline of China-linked share offerings waiting to coma to market.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
ABN Amro (N'lands)	Standard Federal Bancorp (US)	Banking	$1.9bn	Deal completed
GKN (UK)	Sinter Metals (US)	Metals	$570m	Creating world's largest
Enso (Finland)	E-Holtzmann (Germany)	Paper	$349m	More paper restructuring
Security Capital International (US)	Unit of Christian Salvesen (UK)	Warehousing	$122m	Salvesen completes disposals
JCI (SA)	Unit of Shell (UK/N'Lands)	Mining	$100m	Buying local operation
Bricorama (France)	Unit of Wickes (UK)	Retailing	$20m	Wickes Europe disposal
Allied Colloids (UK)	Index Chemicals (Australia)	Chemicals	$11m	Speciality deal
Coherent (US)	Unit of 600 Group (UK)	Optical instruments	$9.7m	Cash transaction

CURRENCIES By Simon Kuper

Sterling traders look to Gordon Brown

By Simon Kuper

The forex market will spend this week wondering what is inside Mr Gordon Brown's mind. The future of the pound lies largely in tbe bands of the new UK chancellor. Most economists agree the UK economy needs slowing down. The questioo is whicb brake Mr Brown will use most: higher taxes, or higher interest rates?

Labour has given so little detail about its plans tbat few have much idea. City ecooomists, wbo usually implore Labour governments not to raise taxes, are now asking Mr Brown to do so.

They want him to go easy on rate increases, for fear they would boost an already surging pound – which is so well supported by higb UK yields that it even rose during the election campaign.

We should find out more about Mr Brown's plans on Wednesday, when Mr Eddie George, governor of the Bank of England, visits the Treasury for his first monetary policy meeting with the new chancellor.

The consensus is that Mr Brown will then raise base rates by at least 25 basis points, to 6.25 per cent. A sharper increase would likely boost the pound. The money markets are pricing in base rates of about 6.50 per cent by June, and 7 per cent by December.

However, if Mr Brown decides to raise interest rates only mildly in the coming months, and instead to use taxes as a brake, the pound could drop fast.

Traders will also be looking for clues to the new government's attitude to European monetary union.

After a rush of US data last week, the main figures this week come from Germany. Industrial prodnction, unemploymant and manufacturing orders should all show recoveries after a cold winter, helping the D-Mark.

The long wait for Italy to ease continues. Nomura puts the chance of a rate cut this week at 40 per cent. Consumer price inflation data for April are due tomorrow.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, May 2, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7686.44	4750.00	2748.05	3747.88
Albania	(Lek)	240.303	148.500	85.9126	117.174
Algeria	(Dinar)	93.2268	57.6113	33.3302	45.4561
Andorra	(French Fr)	9.4302	5.8276	3.3718	4.5983
	(Sp Peseta)	235.926	145.795	84.3501	115.039
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Greece	(Drachma)	444.447	274.655	158.903	216.718
Greenland	(Danish Krone)	10.6497	6.5812	3.8076	5.1929
Grenada	(E Carib $)	4.3692	2.7000	1.5621	2.1304
Guadeloupe	(French Fr)	9.4302	5.8276	3.3718	4.5983
Guam	(US $)	1.6182	1	0.5786	0.7890
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pakistan	(Pak. Rupee)(2)	65.0513	40.1996	23.2577	31.7196
Panama	(Balboa)	1.6182	1	0.5786	0.7890
Papua New Guinea	(Kina)	2.2522	1.3918	0.8052	1.0982
Paraguay	(Guarani)	3471.04	2145.00	1240.98	1692.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Abbreviations: [illegible]

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Friday, May 2, 1997

MARKETS: This Week

World Bank, EBRD open up Korean won

The issue of the first eurobonds in Korean won has given international investors greater access to one of Asia's largest fixed-income markets. Last month's deals by the World Bank and the European Bank for Reconstruction and Development (EBRD) were groundbreaking.

According to Merrill Lynch, which led the euro tranche of the EBRD deal, their successful launch represents a "closely watched experiment" which "will help to create the confidence for more issues to be allowed to come and to develop the market further."

The new eurobond sector, however, will need careful nurturing. Progress appears to have been slow, at least in the case of the EBRD, which first considered the possibility of issuing in won in 1995, following the launch of a deal by the Asian Development Bank (equal in size to about $100m) into the domestic market.

Also, reflecting the caution of the Korean Ministry of Finance, last month's deals were small, reducing the possibility that either might become a liquid benchmark issue.

Fearful of the broader impact of the deals on its currency and financial markets, the Korean authorities restricted the international or euro tranches to only 25 per cent of the total. The euro tranches of the Won95bn World Bank and Won94.8bn EBRD deals were Won23.5bn and Won23.7bn respectively.

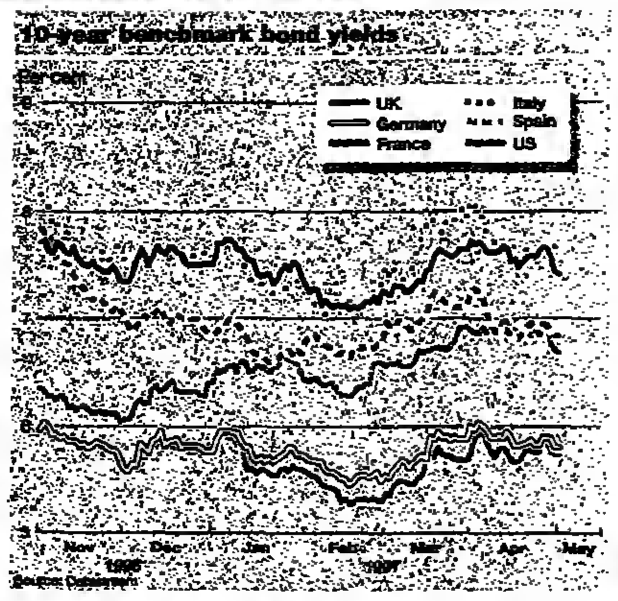
Investor interest in the paper was underpinned by several factors. Non-Koreans are unable to hold the won directly and the issues provide a means to gain exposure to the currency at a time of growing interest in the market following South Korea's accession to the OECD last year.

Although international investors in the bonds receive interest and principal in dollars, the value of the payments, made through Euroclear and Cedel, reflects shifts in the dollar/won exchange rate. Hitherto, foreigners needing to access the market for hedging purposes have been effectively limited to so-called "non-deliverable forwards", a synthetic foreign exchange derivatives contract whose value tracks the Korean won but can be settled in other currencies.

In parallel, the deal allowed investors – including US-based hedge funds and offshore Korean entities – an opportunity to access the Korean fixed-income market, in which overseas investor participation is tightly controlled.

Overseas investors have been able to buy non-guaranteed convertible bonds listed on the Korea Stock Exchange since 1992. They can also buy bank-guaranteed bonds as long as the yield is comparable with international interest rates, but this is is rarely the case.

"Because the South Korean won is essentially closed, if you are a bond investor you cannot go long on the currency," says one banker. "But buying the World Bank bond enables you to do this. Moreover, you are buying World Bank credit but Korean won currency risk, and if you are trying to diversify your asset allocation, most of the real gains are made in currency allocation."



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10[1]	6.75	6.00[2]
Overnight	n/a	n/a	3.00	3.12	8.45	n/a
Three month	5.25	0.56	3.12	3.34	6.81	6.31
One year	5.90	0.78	3.27	3.44	6.70	6.94
Five year	6.67	1.58	4.54	4.71	7.04	7.09
Ten year	6.71	2.49	5.74	5.70	7.55	7.87

(1) French intervention rate. (2) UK Base rate. Source: Reuters

Ms Ayesha Shah, head of funding at the EBRD, says its bond offers "a very rare opportunity for non-Koreans to obtain an investment with direct exposure to the Korean debt market and the currency. It is an instrument which was part domestic, part international and gives exposure to both a triple A name and the won."

More generally, like recent issues in other emerging market currencies – such as the Philippine peso and South African rand - both deals were attractive to those investors who, despite the recent rise in US short-term interest rates, are still on the hunt for higher yields.

Coupons on the international tranches of both deals were set at just under 10 per cent, giving yield spreads for the World Bank of 58 basis points and for the EBRD of 63 basis points below the benchmark three-year bank-guaranteed corporate bond.

That proved particularly attractive to Japanese investors who, with other Asian institutions, provided most demand for EBRD's deal.

Finally, for domestic investors the bonds offered an opportunity to buy bonds of a maturity in which there are few other liquid domestic issues. Indeed, that was one of the reasons why the deals were both priced against the more liquid three-year corporate bonds.

"In terms of tradable securities in the Korean market, most are three years, so here was an opportunity to buy five years. It was a fairly large amount, which gives investors security, and good yields," said Mr Woo Jin Kim, head of the market opening desk at Daewoo Securities, book-runner to the deal, in Seoul.

For the issuers, which immediately swapped the proceeds into dollars, the deals allow both institutions to meet aggressive funding targets. In addition, the deal could help the World Bank in its objective of developing the local financial markets.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Wld Omni 1997-A, A1(a1)★‡	250	Jun 2003	6.60	99-31¼R	6.696	+29(5⅞Oct98)	Merrill Lynch
Wld Omni 1997-A, A2(a2)★‡	280	Jun 2003	6.75	100.00R	6.847	+29(6¼Jun99)	Merrill Lynch
Wld Omni 1997-A, A3(a3)★‡	290	Jun 2003	6.85	99-30+R	6.970	+31(7¼Dec99)	Merrill Lynch
Wld Omni 1997-A, A4(a4)★‡	277	Jun 2003	6.90	99-30R	7.029	+32(6¾Apr00)	Merrill Lynch
CSFB, London Branch(b)	500	undated	7.90	99.713R	7.943	+100(6¼%-07)	CSFB Corp, NY
Pemex	200	May 2002	8.50#	99.590R	8.608	+180(6⅞%-02)	Goldman/SBC Warburg
Den Norske Bank(c)‡	110	May 2007	(c1)	99.829R	-	-	Chase/Salomon Bros
Republic of Italy‡	1.5bn	May 2002	(d)	99.809R	-	-	HSBC/Lehman Brothers
Salomon Inc(e)‡	150	May 2002	(e1)	99.579R	-	-	Salomon Brothers Intl
NordLB, London Branch(s)	135	Sep 1998	6.385#	100.00	-	-	JP Morgan Securities
CESC(o)‡	70	May 2007	(o1)	100.00R	-	-	ANZ Investment Bank
Citicorp	200	May 2002	(v)	100.60R	-	-	CSFB
Handlowy Finance	150	May 2000	7.125	99.798R	7.202	+80(5¾Feb00)	JP Morgan Securities
Banque Libano-Française	125	May 2002	8.875#	99.90R	8.900	+225(6⅞%-02)	Indosuez Capital
Kingdom of Sweden(m)★	50	May 2000	6.00#	100.00	6.00	-	Sanwa Trust Intl
CSX Corp	350	May 2002	7.05#	99.995R	7.066	+83(6⅝Apr02)	Salomon Brothers
CSX Corp	300	May 2004	7.25#	99.98R	7.254	+63(7¼May04)	Salomon Brothers
CSX Corp	450	May 2007	7.45#	99.849R	7.472	+78(M 10yr)	Salomon Brothers
CSX Corp	400	May 2017	7.90#	99.942R	7.906	+95(6½Nov26)	Salomon Brothers
CSX Corp	500	May 2027	7.95#	99.482R	7.996	+104(6½%-26)	Salomon Brothers
CSX Corp(C1)	250	May 2027	7.25#	99.751R	7.292	+60(M 10yr)	Salomon Brothers
CSX Corp(C2)	100	May 2027	6.95#	99.935R	6.966	+43(6⅝Apr02)	Salomon Brothers
CSX Corp(C3)	150	May 2032	8.30#	100.00R	8.300	+130(M 10yr)	Salomon Brothers
Fed Home Loan Mtg Crp(D)‡	100	May 2007	(D1)	100.00	-	-	Nomura International
Repackaged Sovereign Invs‡	140	Apr 2000	(E,s)	99.875	-	-	BZW
Republic of Portugal	80	May 2000	6.50#	99.77125	6.585	-	Daiwa Europe
D-MARKS							
IBM International Finance	200	May 2002	4.875	99.695R	4.968	+14(6%Jan02)	Deutsche Morgan G'fell
Bankers Trust Company(d)‡	400	May 2002	(k1)	99.855R	-	-	Lehman Bros Bankhaus
YEN							
Republic of Portugal(p)★	15bn	May 2000	5.36#	100.00	-	-	IBJ Intl/New Japan
Finnish Export Credit(q)★	10bn	May 1999	6.20#	100.00	-	-	Wako Intl(Europe)
Republic of Argentina★	50bn	May 2004	4.40#	99.85R	4.425	-	Yamaichi Intl(Europe)
Finnish Export Credit(F)★	15bn	May 1998	5.00#	100.00	-	-	Morgan Stanley Intl
STERLING							
Oest Kontrollbank(s)★	150	Nov 1998	6.30	100.00	-	-	Nikko Europe
Autolink MB, Class A(t,s)	125	Jun 2022	8.39#	100.00R	8.39	+82(8%-2015)	Morgan Stanley Intl
Fed Home Loan Mtg Corp(f)★	250	May 2000	6.82#	99.10	-	-	Yamaichi Intl(Europe)
Bradford & Bingley BS(G,J)	100	Jun 2007	8.00	99.937R	8.012	+70(7¼%-02)	HSBC Markets
FRENCH FRANCS							
European Inv'ment Bank‡	3bn	Mar 2002	(u,s)	98.91R	-	-	BNP
Federative Rep of Brazil(Q)	1bn	May 2002	6.625	99.46R	6.751	+185(l)	Paribas
BGB Finance(t)	750	Mar 2009	5.75	95.557R	6.291	+35(l)	CDC/JP Morgan
ITALIAN LIRE							
World Bank	300bn	May 2002	6.95	101.725	6.535	-	BCI/JP Morgan Secs
Bayerische Hypo(h)	100bn	Feb 2002	6.75	100.235	6.678	-	IMI Bank Luxembourg
SWISS FRANCS							
JP Morgan & Co(g,s)	100	Dec 2001	2.00	98.80	-	-	SBC Warburg
Merrill Lynch & Co(y)‡	100	Feb 1999	(y1)	100.12	-	-	Merrill Lynch Capl Mkts
Merrill Lynch & Co(z)‡	100	Aug 1998	(z1)	100.04	-	-	Merrill Lynch Capl Mkts
GUILDERS							
Federative Rep of Brazil(l)	400	May 2002	6.625	100.05R	6.613	+173(l)	ING Barings
Kredietbank Intl Finance	110	Jun 2003	(j)	99.223R	5.306	+17(6½Apr03)	Kredietbank Intl Group
Nederlandse Waterschapsbank	300	May 2007	5.75	99.36R	5.836	+19(5¾Feb07)	Rabobank International
AUSTRALIAN DOLLARS							
Toronto-Dominion Bank	100	May 2002	7.75	101.415	7.401	-	Toronto Dominion Bank
PESETAS							
Helaba Finance‡	10bn	May 2007	(k)	100.00	-	-	Banco Bilbao Vizcaya
European Inv'ment Bank(f)	10bn	Mar 2007	6.50	100.096	6.485	-	BSN/UBS
ESCUDOS							
Fiorese Company‡	8.5bn	Mar 2002	(A,s)	100.00	-	-	BPI
DANISH KRONER							
Crédit Local de France	400	Jun 2003	6.00	101.90	5.618	-	BIL
Sparekassen Vestsjælland	400	Jun 2000	(B)	101.863	6.03	-	Kredietbank Intl Group
NEW ZEALAND DOLLARS							
BNG	100	May 2000	8.00	101.438	7.448	-	ABN Amro/Toronto Dom
RAND							
BNG	4bn	Dec 2020	zero	4.575R	13.97	-	Toronto Dominion Bank
BNG	2.5bn	Dec 2017	zero	6.50R	14.20	-	Toronto Dominion Bank
European Investment Bank‡	200	May 2000	(M)	99.9865	-	-	Deutsche Morgan G'fell
Eskom	150	Jun 2002	15.00	100.75	14.77	-	Hambros Bank
AUSTRIAN SCHILLINGS							
Federative Rep of Brazil(l)	2bn	May 2002	6.625	99.90R	6.649	+173(l)	Creditanstalt Inv Bank
Croatian Bk for Recon & Dev	700	May 2002	5.625	99.70R	5.696	+60(l)	Creditanstalt Inv Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ◊With equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) World Omni Automobile lease securitisation trust. Monthly coupons, semi-annual yields. Average lives: a1) 1.48 yrs, a2) 2.12 yrs, a3) 2.65 yrs, a4) 3.01 yrs. b) Callable on 1/5/07 & every 5 yrs at par. If not called coupon resets at CMT +200bp. c) Callable from May 02 at par. c1) 3-mth Libor +30bp to May 02, then +105bp. d) Class B1: £13.8m, par R, 11.27%m, Jun 2022. e) 3-mth Pibor -12½bp. f) Euro redenomination clause. g) Fungible with SFr150m. Plus 90 days accrued. h) Fungible with L300bn. Plus 113 days accrued. i) Over interpolated yield. j) 4% to 4/6/00, then 6½%. k) 6-mth Libor +30bp; min 4%, max 8.4%. l) Long 1st coupon. m) 3-mth Libor -12½bp. n) Callable from May 00 at par. n1) 3-mth Libor +40bp. o) Callable & putable in May 04 at par. o1) 6-mth Libor +150bp. p) Redeemed in US$. q) Redeemed in NZ$. r) Fungible with FFr1.5bn. Plus 65 days accrued. s) Short 1st coupon. t) Fungible with Pta15bn. Plus 52 days accrued. u) 3-mth BA's -60bp. v) 6-mth Libor +35bp. w) Long last coupon. x) Callable from May 00 at par. x1) 3-mth Libor +6¼bp. y) SFr300m launched 18/1/97 was increased to SFr400m. y1) 3-mth Libor +7bp. z) SFr200m launched 16/1/97 was increased to SFr300m. z1) 3-mth Libor flat. A) 6-mth Libor -2bp. B) 5% to 10/6/01, then 8%. C1) Putable in 8 yrs. C2) Putable in 5 yrs. C3) Callable in 10 yrs. D) Callable from May 98 at par. D1) 3-mth Libor +38bp, max 9%. E) 3-mth Libor flat. F) Redeemed in NZ$. G) Callable on 7/6/02 at par. If not called coupon is reset at 5-yr gilts +120bp. Note: Yields are calculated on ISMA basis.

EMERGING MARKETS By Joel Kibazo

Harare maintains African lead

Investors in Zimbabwe's stock market are gleefully anticipating another strong performance from one of the world's best performing emerging markets last year.

They nearly doubled their money last year as the market soared 92.5 per cent in dollar terms and 121 per cent in the local currency.

Most observers point to the ending of the long drought as the trigger for the buying spree last year.

The arrival of the rains boosted the agricultural processing sector, which accounts for about 40 per cent of the market's $4.8bn total capitalisation.

Of particular importance was tobacco. Last year's crop was not only a record, but also coincided with an advance in world prices for the crop. Last year's macroeconomic indicators were also said to be favourable for investment. GDP grew strongly, while inflation and interest rates both declined.

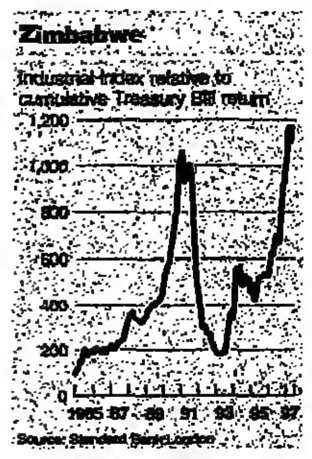
Overseas investors took advantage of foreign exchange regulations that were liberalised in 1993 and found a market in which stocks were on low price-earnings ratios, of no more than 16 in many cases.

Jitters in the notoriously illiquid South African market and the subsequent decline in the rand also persuaded some international fund managers to put some of their cash into the Harare stock market.

Local investment also played its part in the sharp rise of the market. Current regulations prevent local institutions from investing their funds abroad, so in most cases locally raised money has simply been ploughed back into the market, a move that has also helped raise liquidity levels.

However, there are now signs that Harare is unlikely to repeat the dizzying performance seen last year. While it rose 10.4 per cent in the first quarter of this year, several factors look set to curtail another buying spree.

Mr Christopher Hartland-Peel, sub-Saharan Africa market analyst at Standard Bank London, said: "Inflation has started rising again;



from 13 per cent in December it is now at about 19 per cent and tobacco prices are weaker this year.

"Last year's rise means Zimbabwe is now one of the most expensive markets in sub-Saharan Africa on a price/earnings ratio of 21.5. At current growth levels in the economy I can't see many investors continuing to pile into that market. Those that are will be very selective."

One market that has, however, made strong gains without the benefit of foreign investors is Lagos. International revulsion at the military regime's human rights record has seen prospective international investors shy away from doing business in Nigeria.

But local investors have kept the market buoyant and last year it rose 49.1 per cent in dollar terms. The first quarter of this year brought a further 14.2 per cent advance.

Mr James Graham-Moore, Africa Fund Manager at Foreign & Colonial Emerging Markets said: "Nigeria is a classic single-product economy [oil]. It has negative real interest rates, and an entrenched inflation psychology in which equities serve as an inflation hedge. The market is remarkably good value, although there is little top line growth."

The advance in Ghana was only 8.1 per cent last year and it has seen a decline of 9.5 per cent in dollar terms in the first quarter of this year. Analysts attribute the decline to a fall in the cedi and the disproportionate weighting of Ashanti Goldfields, the gold mining giant also quoted in London, whose shares have retreated.

The Ivory Coast exchange has also seen only 3 per cent growth in dollar terms in the first quarter of this year.

Mr Milee Moreland, at Blakeney Management, an investment management firm specialising in Africa and the Middle East said: "These are markets with valuations that make them cheap but they are dysfunctional, with poor liquidity." However, he expects sentiment to change during the course of the year as investors seek value.

It has also been a sobering time for several of sub-Saharan Africa's growing band of stock markets.

Kenya's 43-year-old stock market was one of the casualties of 1996, although the first quarter of this year brought signs of a turnround. Having been one of the best performing emerging markets in the world in 1994 with gains of about 174 per cent in dollar terms, the Nairobi Stock Exchange retreated 39 per cent in 1995 and last year fell 8.7 per cent in dollar terms, against expectations.

The flotation of Kenya Airways, the national flag carrier, along with share offers from groups such as Kenya Commercial Bank and National Bank of Kenya, were all events expected to boost liquidity and trigger a wave of buying interest that would return the market to higher levels.

Instead, a drought that is only just starting to ease, jitters about the general election expected later this year, and the buying of 90-day treasury bills yielding 20.5 per cent are all factors that have combined to bring a retreat to the market.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	02/05/97	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (449)	173.40	−0.45	−0.26	+0.08	+0.05	+13.29	+8.30
Latin America							
Argentina (22)	120.19	+2.07	+1.75	+4.10	+3.54	+13.06	+12.19
Brazil (24)	343.56	+3.98	,1.17	+19.41	+5.99	+82.53	+31.62
Chile (16)	193.01	+1.25	+0.65	+6.21	+3.32	+30.56	+16.81
Colombia (13)	237.29	+1.68	+0.71	+18.27	+8.34	+63.60	+36.62
Mexico (27)	+91.95	−1.11	−1.20	+1.04	+1.14	+10.28	+12.58
Peru (12)	1,265.22	+20.33	+1.63	+88.90	+7.56	+258.00	+25.62
Venezuela (6)	61.21	−0.18	−0.30	+0.07	+0.12	−0.97	−1.55
Latin America (119)	175.02	+1.10	+0.63	+7.14	+4.25	+31.25	21.96
Europe							
Czech Rep.(14)	90.71	−2.71	−2.90	−12.15	−11.81	−13.57	−13.01
Greece (20)	170.55	+2.82	+1.68	+7.19	+4.40	+58.24	+51.86
Poland (25)	338.31	−6.52	−1.89	+5.91	+1.76	−5.44	−1.58
Portugal (18)	177.76	+10.27	+6.13	+11.87	+7.15	+31.58	+21.61
South Africa (30)	146.56	+2.24	+1.55	+3.41	+2.38	+16.67	+12.84
Turkey (27)	148.73	−3.99	−2.65	−26.42	−15.26	+21.68	+17.34
Europe (134	136.00	+2.05	+1.53	+0.99	+0.73	+17.66	+14.92
Asia							
China (27)	64.04	+1.32	+2.10	+10.05	+18.62	+7.55	+13.37
Indonesia (30)	147.42	−1.15	−0.76	−1.60	−1.08	−9.01	−5.78
Korea (23)	82.32	+1.83	+2.28	+0.84	+1.03	+1.11	+1.37
Malaysia (24)	236.95	+1.04	+0.44	−28.22	−10.64	−43.47	−15.50
Pakistan (13)	65.94	−0.83	−1.24	−5.03	−7.08	+7.49	+12.80
Philippines (18)	257.75	−25.15	−8.89	−54.33	−17.41	−56.04	−17.86
Taiwan (31)	200.53	−7.74	−3.72	+3.71	+1.89	+15.10	+8.14
Thailand (29)	125.61	−6.61	−5.00	−11.96	−8.69	−29.55	−19.05
Asia (193)	204.19	−4.34	−2.08	−9.64	−4.51	−13.38	−6.15

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

May 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.6851	+0.0423	756 - 946	19.7429	18.4097	19.6418	2.7	19.5851	2.0	-	-	103.5
Belgium	(BFr)	57.7229	+0.1216	645 - 811	57.8420	56.9010	57.5978	2.6	57.3378	2.7	56.0128	3.0	103.2
Denmark	(DKr)	10.6497	+0.0282	448 - 546	10.5740	10.4950	10.6277	2.5	10.5842	2.5	10.3742	2.6	105.9
Finland	(FM)	8.4256	+0.0444	192 - 323	8.4590	8.3210	-	-	-	-	-	-	82.5
France	(FFr)	9.4302	+0.0028	265 - 339	9.4580	9.2982	6.408	2.6	9.3644	2.6	9.1473	3.0	106.1
Germany	(DM)	2.7970	+0.0061	957 - 982	2.8059	2.7567	2.7904	2.9	2.7769	2.8	2.7101	3.1	104.6
Greece	(Dr)	444.447	+0.21	140 - 754	446.517	439.191	-	-	-	-	-	-	65.5
Ireland	(I£)	1.0850	-0.0032	339 - 860	1.0860	1.0705	1.0847	0.3	1.0838	0.4	1.0772	0.7	98.5
Italy	(L)	2771.92	+7.14	031 - 353	2774.52	2724.10	2775.32	-1.5	2780.17	-1.2	2782.97	-0.4	76.0
Luxembourg	(LFr)	57.7228	+0.1219	645 - 811	57.8420	56.9010	57.5978	2.6	57.3378	2.7	56.0128	3.0	103.2
Netherlands	(Fl)	3.1463	+0.0057	446 - 480	3.1559	3.1016	3.1382	3.1	3.1224	3.0	3.0469	3.2	102.8
Norway	(NKr)	11.4805	-0.022	729 - 881	11.5248	11.3404	11.456	2.6	11.4076	2.5	11.182	2.6	100.9
Portugal	(Es)	280.928	+0.463	800 - 055	281.055	276.858	281.068	-0.6	281.353	-0.6	-	-	64.2
Spain	(Pta)	235.926	+0.048	812 - 039	236.740	232.800	236.059	-0.7	235.926	0.0	234.451	0.6	78.0
Sweden	(SKr)	12.6833	-0.0161	753 - 913	12.7052	12.4917	12.6643	1.8	12.6248	1.8	12.4288	2.0	83.4
Switzerland	(SFr)	2.3825	+0.0017	809 - 840	2.3945	2.3509	2.3737	4.5	2.3558	4.5	2.2716	4.7	104.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.7
Ecu	-	1.4337	+0.0016	329 - 345	1.4380	1.4150	1.4315	1.8	1.4268	1.8	1.4017	2.2	-
SDR†	-	1.186300	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6178	-0.0062	171 - 161	1.6278	1.6006	-	-	-	-	-	-	-
Brazil	(R$)	1.7219	-0.0054	211 - 226	1.7314	1.7029	-	-	-	-	-	-	-
Canada	(C$)	2.2369	-0.0258	358 - 380	2.2621	2.2184	2.231	3.1	2.2203	3.0	2.1757	2.7	85.0
Mexico	(New Peso)	12.8040	-0.0906	960 - 120	12.9182	12.7424	-	-	-	-	-	-	-
USA	($)	1.6182	-0.0058	177 - 187	1.6280	1.6008	1.6174	0.6	1.6156	0.7	1.6089	0.3	106.0
Pacific/Middle East/Africa													
Australia	(A$)	2.0628	-0.0054	608 - 647	2.0747	2.0458	2.0627	0.1	2.0616	0.2	2.0578	0.2	99.5
Hong Kong	(HK$)	12.5370	-0.0438	323 - 417	12.6107	12.4022	12.5324	0.4	12.5214	0.5	12.4816	0.4	-
India	(Rs)	57.8264	-0.2387	681 - 647	58.1520	57.2320	-	-	-	-	-	-	-
Israel	(Shk)	5.5105	-0.0088	060 - 149	5.5404	5.4536	-	-	-	-	-	-	-
Japan	(Y)	205.083	+0.02	979 - 188	206.380	202.650	204.116	5.7	202.253	5.5	193.643	5.6	120.3
Malaysia	(M$)	4.0593	-0.0116	572 - 616	4.0822	4.0169	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3417	-0.0132	401 - 432	2.3567	2.3203	2.3446	-1.5	2.3497	-1.4	2.3699	-1.2	118.2
Philippines	(Peso)	42.6784	-0.1628	264 - 304	42.7304	42.6264	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0690	-0.0216	669 - 711	6.1034	6.0062	-	-	-	-	-	-	-
Singapore	(S$)	2.3417	-0.0055	402 - 432	2.3536	2.3158	-	-	-	-	-	-	-
South Africa	(R)	7.2043	-0.0185	996 - 089	7.2389	7.1285	-	-	-	-	-	-	-
South Korea	(Won)	1445.05	-4.37	137 - 874	1449.23	1480.15	-	-	-	-	-	-	-
Taiwan	(T$)	44.7756	-0.1443	294 - 218	44.9979	44.2925	-	-	-	-	-	-	-
Thailand	(Bt)	42.2431	-0.1596	685 - 986	42.5020	41.7970	-	-	-	-	-	-	-

† Rates for May 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	12.1648	+0.0695	627 - 668	12.1690	12.1040	12.0808	1.5	12.0353	2.0	11.8403	2.1	103.3
Belgium	(BFr)	35.6710	+0.2025	460 - 960	35.6960	35.5010	35.4085	2.0	35.281	2.1	34.741	2.1	103.8
Denmark	(DKr)	6.5812	+0.0409	802 - 822	6.5871	6.5490	6.5314	1.6	6.513	1.7	6.4313	1.7	105.5
Finland	(FM)	5.2069	+0.0459	044 - 093	5.2285	5.1785	5.1522	2.0	5.1334	2.1	5.051	2.1	82.1
France	(FFr)	5.8276	+0.0226	271 - 281	5.8345	5.7988	5.7943	2.2	5.7733	2.2	5.665	2.4	105.7
Germany	(DM)	1.7285	+0.0099	282 - 287	1.7303	1.7198	1.7154	2.2	1.7088	2.3	1.6752	2.5	104.6
Greece	(Dr)	274.655	+1.11	550 - 760	275.150	272.810	275.1	-6.8	277.67	-6.0	288.695	-5.5	65.4
Ireland	(I£)	1.4915	-0.0009	905 - 925	1.5025	1.4860	1.4919	0.4	1.4914	0.3	1.4927	0.0	-
Italy	(L)	1712.97	+19.52	250 - 343	1714.46	1701.25	1705.45	-2.1	1710.3	-1.8	1720.1	-1.0	75.8
Luxembourg	(LFr)	35.6710	+0.2025	460 - 960	35.6960	35.5010	35.4085	2.0	35.281	2.1	34.741	2.1	103.3
Netherlands	(Fl)	1.9444	+0.0105	439 - 448	1.9484	1.9339	1.9301	2.4	1.9221	2.4	1.8865	2.4	102.8
Norway	(NKr)	7.0946	+0.0116	921 - 671	7.1158	7.0338	7.079	0.6	7.0734	0.5	7.0473	0.5	98.8
Portugal	(Es)	173.605	+0.905	580 - 630	173.630	172.700	172.83	-0.9	172.98	-0.6	172.715	0.0	95.0
Spain	(Pta)	145.795	+0.55	770 - 820	145.900	145.180	145.335	-0.7	145.455	-0.6	145.25	0.0	77.8
Sweden	(SKr)	7.8379	+0.0181	354 - 404	7.8490	7.7930	7.817	0.4	7.8072	0.6	7.7598	0.6	89.2
Switzerland	(SFr)	1.4723	+0.0063	716 - 728	1.4735	1.4655	1.4612	3.9	1.4516	3.9	1.4062	4.1	103.6
UK	(£)	1.6182	-0.0058	177 - 187	1.6280	1.6008	1.6232	0.6	1.6214	0.7	1.6147	0.6	99.4
Ecu	-	1.1287	-0.0055	284 - 290	1.1334	1.1275	1.1354	-1.2	1.1379	-1.3	1.1532	-1.7	-
SDR†	-	0.73310	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0003	996 - 998	0.9998	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	1.0641	+0.0005	639 - 642	1.0642	1.0638	-	-	-	-	-	-	-
Canada	(C$)	1.3824	-0.0109	821 - 826	1.3969	1.3815	1.3804	2.5	1.3852	2.3	1.3636	2.1	84.5
Mexico	(New Peso)	7.9125	-0.0275	100 - 150	7.9170	7.9070	8.058	-17.6	8.3245	-19.4	9.165	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	108.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2747	+0.0012	739 - 755	1.2780	1.2744	1.2742	-0.7	1.275	-0.5	1.2803	-0.5	101.4
Hong Kong	(HK$)	7.7475	+0.0007	470 - 480	7.7480	7.7467	7.7467	0.0	7.7473	0.0	7.7563	-0.1	-
India	(Rs)	35.7350	-0.02	100 - 800	35.8400	35.7100	35.97	-7.2	36.43	-7.8	-	-	-
Israel	(Shk)	3.4053	+0.0067	036 - 070	3.4104	3.4011	-	-	-	-	-	-	-
Japan	(Y)	126.735	+0.465	710 - 760	126.930	126.480	125.735	6.1	124.71	4.9	119.81	5.0	121.1
Malaysia	(M$)	2.5085	+0.0018	080 - 090	2.5096	2.5075	2.5085	-1.4	2.5149	-1.8	2.5362	-1.2	-
New Zealand	(NZ$)	1.4471	-0.0023	466 - 478	1.4495	1.4466	1.4523	-1.8	1.4566	-1.8	1.4773	-1.8	-
Philippines	(Peso)	26.3740	-0.006	500 - 980	26.3980	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7508	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4471	+0.0018	466 - 476	1.4480	1.4455	1.4431	1.6	1.4385	1.8	1.4173	1.8	-
South Africa	(R)	4.4520	+0.0045	505 - 535	4.4590	4.4485	4.4882	-11.0	4.5632	-10.4	4.876	-9.7	-
South Korea	(Won)	893.000	+0.5	000 - 000	895.000	891.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.6700	+0.01	500 - 900	27.6900	27.5700	27.6601	0.0	27.6603	0.0	-	-	-
Thailand	(Bt)	26.1050	-0.005	800 - 300	26.1300	26.0800	26.2	-4.1	26.3875	-3.9	27.005	-3.4	-

† SDR rate per $ for May 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 1: Base average 1990=100.
The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3⅜	3⅜	3 15/32	6.00	2.50	-
week ago	3¼	3⅜	3¼	3⅜	3⅜	6.00	2.50	-
France	3¼	3 11/32	3⅜	3 13/32	3½	3.10	-	4.75
week ago	3¼	3 11/32	3 13/32	3⅜	3⅝	3.10	-	4.75
Germany	3 3/16	3⅛	3¼	3¼	3⅜	4.50	2.50	3.00
week ago	3 3/16	3⅛	3¼	3⅜	3⅜	4.50	2.50	3.00
Ireland	6¼	6⅜	6⅝	6⅝	6⅞	-	-	6.75
week ago	5¾	6⅜	5 15/16	5 15/16	5⅞	-	-	6.25
Italy	7 1/16	6 25/32	5 15/16	6 19/32	6 13/16	8.25	6.75	7.34
week ago	6 13/16	6 25/32	7 1/16	6 21/32	6 11/16	8.25	6.75	7.34
Netherlands	3⅛	3 3/16	3 7/32	3 5/16	3⅜	-	3.00	3.30
week ago	3 1/16	3 3/16	3 3/16	3 7/32	3 11/32	-	3.00	3.30
Switzerland	1⅝	1 11/16	1¾	1 13/16	1 13/16	-	1.00	-
week ago	1 3/16	1 13/16	1 13/16	1 13/16	2	-	1.00	-
US	5½	5⅝	5¾	5⅞	6¼	-	5.00	-
week ago	5⅝	5⅝	5 25/32	6 1/16	6 7/16	-	5.00	-
Japan	7/16	17/32	⅝	⅝	13/16	-	0.50	-
week ago	7/16	17/32	⅝	⅝	¾	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 13/16	6 1/32	6	6 5/16	-	-	-
week ago	-	5 13/16	5 29/32	6 1/16	6 7/16	-	-	-
US Dollar CDs	-	5.54	5.65	5.75	6.02	-	-	-
week ago	-	5.54	5.67	5.82	6.16	-	-	-
ECU Linked Ds	-	4 1/16	4⅛	4 3/16	4 5/16	-	-	-
week ago	-	4 1/16	4 3/16	4 3/16	4¼	-	-	-
SDR Linked Ds	-	3½	3⅝	3¾	3 31/32	-	-	-
week ago	-	3½	3⅝	3¾	3 31/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3 1/16	3¼ - 3⅛	3 9/32 - 3 5/32	3⅜ - 3¼	3 15/32 - 3 11/32
Danish Krone	3 13/16 - 3½	3 5/16 - 3½	3⅝ - 3½	3⅝ - 3 17/32	3¾ - 3 21/32	4 - 3 13/16
German Mark	3⅛ - 2⅞	3 3/16 - 2 15/16	3 3/16 - 2 15/16	3¼ - 3	3 3/32 - 3	3 7/16 - 3 3/16
Dutch Guilder	3¼ - 3⅛	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 11/32 - 3 7/32	3 7/16 - 3 5/16
French Franc	3 7/32 - 3⅛	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 15/32 - 3 11/32	3 15/32 - 3 7/16	3 19/32 - 3 7/16
Portuguese Esc.	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 - 5 15/16	5 27/32 - 5 23/32	5 23/32 - 5 11/16	5 23/32 - 5 21/32
Spanish Peseta	5 13/16 - 5 13/32	5 13/16 - 5 7/16	5 9/16 - 5 7/16	6 15/32 - 5 13/32	5 7/16 - 5 5/16	5 7/16 - 5 5/16
Sterling	6⅛ - 6	6⅛ - 6	6 3/16 - 6 1/16	6 17/32 - 6 13/32	6 25/32 - 6 21/32	7 - 6 13/16
Swiss Franc	1⅞ - 1⅜	1⅝ - 1½	1¾ - 1 11/16	1 13/16 - 1 11/16	1 15/16 - 1¾	1 15/16 - 1 13/16
Canadian Dollar	3 1/16 - 2 15/16	3⅛ - 3	3 7/32 - 3 3/32	3 13/32 - 3 9/32	3 21/32 - 3 17/32	4 3/16 - 3 15/16
US Dollar	5 13/32 - 5 19/32	5⅝ - 5½	5 11/16 - 5 9/16	5 13/16 - 5 11/16	5 15/16 - 5 13/16	6 5/16 - 6 3/16
Italian Lira	7 7/16 - 6 7/16	7 1/16 - 6 13/16	7 1/32 - 6 29/32	6 23/32 - 6 19/32	6 23/32 - 6⅝	6 23/32 - 6 11/16
Japanese Yen	15/32 - ½	9/16 - 17/32	9/16 - 17/32	19/32 - 9/16	21/32 - ⅝	27/32 - 25/32
Asian $Sing	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3 9/16 - 3 7/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.07	94.06	+1.95	94.12	94.06	71,390	473,952
Sep	93.89	93.89	-0.25	93.97	93.86	111,880	406,381
Dec	93.66	93.68	-0.39	93.75	93.63	121,426	309,346

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.67	94.67	-	94.70	94.66	778	6,378
Sep	94.46	94.47	+0.01	94.52	94.46	88	3,623
Dec	-	94.50	-	-	-	-	-

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.34	4.846	1.880	4801	5.450	19.89	486.7	408.7	21.97	4.129	1.733	3.877	2.803	355.3	2.483
Denmark	(DKr)	54.20	10	8.854	2.626	1.016	2602	2.954	10.78	263.6	221.5	11.91	2.238	0.939	2.101	1.519	192.6	1.346
France	(FFr)	61.21	11.29	10	2.966	1.151	2938	3.336	12.17	297.8	250.2	13.45	2.527	1.060	2.373	1.716	217.5	1.520
Germany	(DM)	20.64	3.808	3.371	1	0.388	990.7	1.125	4.104	100.4	84.34	4.533	0.852	0.358	0.800	0.578	73.33	0.512
Ireland	(I£)	53.20	9.816	8.691	2.578	1	2554	2.900	10.58	258.9	217.4	11.69	2.196	0.922	2.063	1.491	189.0	1.321
Italy	(L)	2.083	0.384	0.340	0.101	0.039	100.	0.114	0.414	10.14	8.513	0.458	0.086	0.036	0.081	0.058	7.402	0.052
Netherlands	(Fl)	18.35	3.385	2.997	0.889	0.345	880.6	1	3.649	89.29	74.98	4.001	0.757	0.316	0.711	0.514	65.18	0.455
Norway	(NKr)	50.28	9.277	8.214	2.436	0.945	2414	2.740	10	244.7	205.5	11.05	2.076	0.871	1.949	1.409	178.7	1.248
Portugal	(Es)	20.55	3.791	3.357	0.996	0.386	986.5	1.120	4.087	100.	83.98	4.514	0.848	0.356	0.797	0.576	73.02	0.510
Spain	(Pta)	24.47	4.515	3.997	1.186	0.460	1175	1.334	4.866	119.1	100.	5.375	1.010	0.424	0.949	0.686	86.94	0.607
Sweden	(SKr)	45.52	8.399	7.437	2.206	0.856	2185	2.481	9.054	221.5	186.0	10	1.879	0.789	1.765	1.276	161.8	1.130
Switzerland	(SFr)	24.22	4.469	3.957	1.174	0.455	1163	1.320	4.817	117.9	98.99	5.321	1	0.420	0.939	0.679	86.07	0.601
UK	(£)	57.72	10.65	9.430	2.797	1.085	2771	3.146	11.48	280.8	235.9	12.68	2.383	1	2.238	1.618	205.1	1.433
Canada	(C$)	25.79	4.759	4.214	1.250	0.485	1238	1.406	5.130	125.5	105.4	5.666	1.065	0.447	1	0.723	91.64	0.640
US	($)	35.67	6.582	5.828	1.729	0.671	1713	1.944	7.095	173.6	145.8	7.837	1.473	0.618	1.383	1	126.8	0.886
Japan	(Y)	28.14	5.193	4.598	1.364	0.529	1351	1.534	5.597	137.0	115.0	6.182	1.162	0.488	1.091	0.789	100.	0.699
Ecu		40.28	7.432	6.581	1.952	0.757	1934	2.195	8.011	196.0	164.6	8.846	1.663	0.698	1.562	1.129	143.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kroner per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.5822	0.5801	-0.0023	0.5833	0.5796	21,725	82,551
Sep	0.5858	0.5840	-0.0023	0.5867	0.5837	121	3,263
Dec	0.5810	0.5881	-0.0023	0.5910	0.5890	10	326

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.6835	0.6827	-0.0008	0.6860	0.6816	12,661	43,257
Sep	0.6915	0.6897	-0.0008	0.6927	0.6887	50	2,183
Dec	0.7000	0.6971	-0.0008	0.7000	0.6965	5	433

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	0.7948	0.7949	+0.0003	0.7955	0.7927	22,368	86,740
Sep	0.8053	0.8056	+0.0003	0.8058	0.8040	423	1,772
Dec	0.8170	0.8168	+0.0003	0.8170	0.8170	8	707

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	1.6220	1.6202	-0.0024	1.6288	1.5988	4,774	38,082
Sep	1.6300	1.6174	-0.0026	1.6300	1.6000	65	921
Dec	1.6050	1.6150	-0.0026	1.6160	1.6040	2	102

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.620	1.03	1.57	1.96	0.91	1.54	2.00
1.630	0.60	1.13	1.51	1.49	2.11	2.51
1.640	0.30	0.78	1.14	2.19	2.85	-

Previous day's vol., Calls 52 Puts 602 . Prev. day's open int., Calls 32,716 Puts 32,802

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.580	0.32	0.65	0.91	0.41	0.64	0.82
0.585	0.16	0.43	0.68	0.74	0.93	1.07
0.590	0.08	0.29	0.50	1.13	1.28	1.39

Previous day's vol., Calls 166 Puts 264 . Prev. day's open int., Calls 25,473 Puts 40,609

UK INTEREST RATES

LONDON MONEY RATES

May 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 2	6 1/16 - 5 13/16	6 3/16 - 6 1/16	6⅝ - 6½	6 13/16 - 6 11/16	7 1/16 - 6 15/16
Sterling CDs	-	-	6 3/16 - 6⅛	6 13/32 - 6 11/32	6 19/32 - 6 17/32	6⅞ - 6 13/16
Treasury Bills	-	-	6 3/16 - 6 1/16	6 7/16 - 6⅜	-	-
Bank Bills	-	-	6 3/16 - 6 1/16	6 13/32 - 6 5/16	6 9/16 - 6 7/16	-
Local authority deps.	5⅞ - 5⅛	6 - 5⅞	6⅛ - 6 1/16	6 1/16 - 6 5/16	6 11/16 - 6 5/16	6 31/32 - 6 27/32
Discount Market deps	6½ - 6	6⅛ - 6	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on May 2, 6.1834pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate 6½pc from May 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	May 2	Apr 25		May 2	Apr 25
Bills on offer	£200m	£200m	Top accepted rate	6.1969%	6.1368%
Total of applications	£1313m	£1241m	Ave. rate of discount	6.1834%	6.1348%
Total allocated	£200m	£200m	Average yield	6.2802%	6.2200%
Min. accepted bid	£98.455	£98.470	Offer at next tender	£200m	£200m
Allotment at min. level	73%	65%	Min. accept. bid 82 days	-	-

■ Pound in New York

May 2	—Close—	— Prev. close —
£ spot	1.6230	1.6235
1 mth	1.6220	1.6227
3 mth	1.6201	1.6208
1 yr	1.6128	1.6133

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Investec Bank (UK) Ltd	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

	May 2	May 1	Apr 30	Apr 29	Apr 28	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	4455.60	4445.00	4436.00	4433.20	4389.70	4495.60	4056.60	4495.60	986.90
FTSE 250	4488.10	4502.10	4496.70	4507.00	4496.20	4729.40	4469.40	4729.40	1379.40
FTSE 250 ex IT	4526.80	4533.50	4530.90	4541.70	4531.20	4773.80	4522.00	4773.80	1378.30
FTSE 350	2176.30	2172.50	2168.70	2168.40	2150.40	2194.30	2017.90	2194.30	664.50
FTSE SmallCap	2285.52	2296.34	2295.46	2293.08	2295.25	2374.20	2178.29	2374.20	1363.79
FTSE SmallCap ex IT	2300.19	2301.61	2300.83	2300.38	2304.12	2382.36	2190.80	2382.36	1363.79
FTSE All-Share	2142.25	2138.89	2135.31	2134.88	2116.52	2163.94	1989.78	2163.94	61.92
FTSE Fledgling	1299.17	1299.60	1300.46	1302.41	1304.08	1348.52	1223.48	1348.52	31.14
FTSE Eurotrack 100	2247.26	2229.09	2224.77	2210.83	2192.47	2247.28	1893.80	2247.28	900.45
FTSE Eurotrack 200	2278.80	2264.94	2250.76	2251.65	2231.19	2278.80	1947.11	2278.80	938.52
FT 30	2907.40	2902.70	2896.40	2891.90	2869.70	2981.40	2762.50	2981.40	49.40
FT Govt Securities	94.65	94.43	94.58	93.82	93.53	96.74	93.31	127.40	49.18
FT Fixed Interest	117.31	117.21	117.03	116.73	116.87	120.18	113.85	133.87	50.53
FTSE Gold Mines	1493.36	1483.28	1468.60	1475.78	1482.03	1907.48	1468.60	2520.73	922.18

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
160	Nil	12/5	40pm	35pm	Ask Central	35pm	
52.5	Nil	21/5	4½pm	3½pm	Barlows	3½pm	
51	Nil	14/5	1¾pm	1¾pm	Brk for the Border	1¾pm	
18	Nil	9/5	3¼pm	2pm	Pembertons	2¼pm	

pm premium.

BANK RETURN

BANKING DEPARTMENT	Wednesday April 30, 1997	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	229,864,501	-651,964,617
Bankers deposits	2,096,271,237	+76,584,719
Reserve and other accounts	3,442,573,931	+88,382,301
	5,783,262,669	-486,987,797
Assets		
Government securities	1,347,540,553	+62,493,436
Advance and other accounts	3,954,554,710	-237,609,298
Premise, equipment and other secs	472,656,379	-315,195,372
Notes	8,390,329	+3,309,327
Coin	120,898	+14,108
	5,783,262,669	-486,987,797
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,351,608,671	+376,690,673
Notes in Banking Department	8,390,329	+3,309,327
	21,360,000,000	+380,000,000
Assets		
Other Government securities	10,691,808,070	-3,958,126,948
Other Securities	10,668,191,930	+4,338,126,948
	21,360,000,000	+380,000,000

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,341	578½	532½	Alliance & Leic	574		L16.3	2.5	3.5	14.1
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
-	F.P.	4,326	306½	290	Cable & Wireless	290½	-1	-	-	-	-
§40	F.P.	12.8	65	54½	†Charlton Athltc	57½		-	-	-	-
	F.P.	38.9	95	95	Close Bros Pr VCT	95		-	-	-	-
§130	F.P.	15.4	139½	132½	†Comino	138½		2.25	4.6	2.0	13.1
§	F.P.	12.1	81½	70½	Donatantonio	80		0.5	●	0.8	●
-	F.P.	12.6	127½	122½	†Dragons Hlth Clbs	127½		-	-	-	24.1
§175	F.P.	25.9	212½	198	Heal's	212½		L3.9	3.1	2.3	15.5
§	F.P.	7.38	164½	162½	†ITG	164½		-	-	-	-
§119	F.P.	5.42	130½	122½	†Lady in Leisure	130½		b-	-	-	-
-	F.P.	176.4	99½	97½	Mrtn Currie I&G Inc	98	-1	M7.4	-	9.4	-
-	F.P.	6.13	92½	87½	Do Cap	91		-	-	-	-
50	F.P.	19.4	54½	49½	†NMT	49½	-½	-	-	-	-
§135	F.P.	172.6	144½	114	Newcastle Utd	120½		u1.6	-	1.7	-
*	F.P.	1.71	28½	28½	†Northstar Secs	28½		-	-	-	-
	F.P.	4.75	95	95	Oxford Tech Vent	95		-	-	-	-
-	F.P.	31.3	169½	157½	Partners Hldgs	167½		a-	-	-	19.4
100	F.P.	8.00	100	100	Penine AIM VCT	100		-	-	-	-
-	F.P.	16.8	60	38½	†Petra Diamonds	57½	+4	-	-	-	-
-	F.P.	0.51	32½	18½	†Do Warrants	30½	+3	-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		22.5%	-	1.5	-
§100	F.P.	10.3	105½	102½	†Soccer Investment	103½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	85.3	75	59	Utd Overseas Grp	71½	-2	-	-	-	15.5

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 2	% chg since 31/12/96	Mkt Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1493.36	-18.2	41.31	100.00	2.24	-	2382.86	1468.60
■ Regional Indices								
Africa (14)	1724.86	-16.9	10.26	24.84	5.16	27.33	3197.52	1724.86
Australasia (6)	1792.51	-19.2	4.71	11.41	3.00	19.41	2844.14	1786.37
North America (12)	1394.39	-17.4	26.33	63.75	0.96	53.36	2126.45	1335.84

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UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		100 7/32	—	1,988	Fe6 Au6	28.1	4481
Treas 8¾pc 1997‡‡		100 29/32	-1	5,550	Mr1 Se1	20.2	1341
Exch 15pc 1997		104	-3	830	Ap27 Oc27	17.4	1269
Exch 6¾pc 1998		102¼	—	3,550	Jy16 Ja19	6.1	1273
Treas 7¼pc 1998‡‡		100 7/16	—	8,150	Se30 Mr30	19.3	1788
Treas 15½pc '98‡‡		111½	—	835	Mr30 Se30	10.3	1306
Exch 12pc 1998		107 13/32	0.1	3,909	My20 Nv20	11.11	1259
Treas 9½pc 1999‡‡		104 7/32	0.2	1,900	Jy15 Ja15	6.1	1347
Treas Fltg Rate 1999‡‡		100 5/32	—	5,700	MrJuSeDe	2.12	4945
Exch 12¼pc 1999		108 13/32	0.1	3,050	Se26 Mr26	17.3	1264
Treas 10½pc 1999		106 1/32	0.2	1,252	Nv19 My19	8.11	1288
Treas 6pc 1999 ‡‡		98 13/16	0.4	6,950	Fe10 Au10	30.1	3635
Conversion 10¼pc 1999		107 15/32	0.3	1,798	My22 Nv22	13.11	1242
Conv 9pc 2000‡‡		105	0.5	5,358	Se3 Mr3	20.2	1244
Treas 13pc 2000		115 17/32	0.5	3,171	Ja14 Jy14	3.1	1259
Treas 14pc 1998-1		107 13/32	-.1	970	Nv22 My22	13.11	1306
Treas 8pc 2000‡‡		103	0.7	9,800	Je7 De7	28.11	4948
Treas Fltg Rate 2001		100 3/16	—	3,000	8DcJaApJy	7.4	-
Treas 10pc 2001		109 13/16	0.7	4,406	Au26 Fe26	17.2	1280
Treas 7pc 2001 ‡‡		99 15/32xd	1.0	12,750	My6 Nv6	24.4	3031
Five to Fifteen Years							
Treas 7pc 2002‡‡		99 13/32	1.1	4,000	De7 Je7	-	-
Treas 9¾pc 2002		111 1/16	1.1	6,527	Fe27 Au27	18.2	1349
Treas 8pc 2003‡‡		103 7/32	1.3	8,600	Je10 De10	29.11	2010
Treas 10pc 2003		113 13/32	1.3	2,503	Mr8 Se8	27.2	1281
Treas 11½pc 2001-4		114 3/16	0.6	1,620	Se16 Mr16	10.3	1269
Funding 3½pc 1999-4		84 13/16	1.7	543	Ja14 Jy14	3.1	1274
Conversion 9½pc 2004		112 13/32	1.5	3,412	Ap25 Oc25	16.4	1246
Treas 6¾pc 2004‡‡		97 3/32	1.6	6,500	My26 Nv26	15.11	3541
Conv 9½pc 2005		112¼	1.7	4,842	Oc10 Ap10	8.4	1247
Treas 12½pc 2003-5		126 13/32	1.2	2,200	My21 Nv21	12.11	1295
Treas 8½pc 2005‡‡		107 3/32	1.8	10,373	Je7 De7	28.11	4848
Treas 7½pc 2006‡‡		100 13/32	2.0	11,700	Je7 De7	28.11	1148
Treas 7¾pc 2006‡‡		102 3/32	1.9	4,000	Mr8 Se8	27.2	2300
Treas 8pc 2002-6‡‡		102	1.0	2,050	Ap5 Oc5	25.3	1334
Treas 11¾pc 2003-7		120 13/32	1.1	3,150	Jy22 Ja22	13.1	1293
Treas 8½pc 2007 ‡‡		107 13/32	2.0	7,397	Ja16 Jy16	7.1	1339
Treas 7 1/4pc 2007‡‡		99 5/16	2.1	5,000	Je7 De7	-	-
Treas 9pc 2008 ‡‡		111 13/32	2.1	5,621	Ap13 Oc13	3.4	1343
Treas 8pc 2009		104	2.5	3,450	Mr25 Se25	14.3	1336
Treas 6 1/4pc 2010‡‡		89 5/16	2.5	4,750	Mr25 Nv25	14.11	4632
Conv 9pc Ln 2011 ‡‡		112⅝	2.4	5,273	Jy12 Ja12	2.1	1245
Over Fifteen Years							
Treas 9pc 2012‡‡		112 13/32	2.4	5,360	Fe6 Au6	28.1	1701
Treas 5½pc 2008-12‡‡		83½	2.6	1,000	Mr10 Se10	27.2	1330
Treas 8pc 2013‡‡		104 5/16	2.6	6,100	Mr27 Se27	18.3	2229
Treas 7¾pc 2012-15‡‡		101⅝	2.5	800	Jy26 Ja26	16.1	1332
Treas 8pc 2015‡‡		104 13/32	2.7	13,787	Je7 De7	28.11	4982
Treas 8¾pc 2017‡‡		112 5/32	2.8	7,550	Fe25 Au25	14.2	1982
Treas 8pc 2021‡‡		105 3/32	3.0	11,500	Je7 De7	28.11	-
Undated							
Consols 4pc		50 13/32	3.3	359	Au1 Fe1	24.1	1239
War Loan 3½pc‡‡		45 13/32	2.8	1,909	Je1 De1	18.11	1352
Conv 3½pc '61 Aft.		62 13/32	1.5	115	Ap1 Oc1	19.3	1243
Treas 3pc '66 Aft.		37 3/32	0.6	58	Ap5 Oc5	25.3	1324
Consols 2½pc		32 13/32	2.9	276	5JaApJyOc	25.3	1238
Treas. 2½pc		31 13/32	2.2	475	Ap1 Oc1	18.3	1315
Index-Linked	(b)						
4⅝pc '98‡‡	(135.6)	114 3/32	0.1	800	Ap27 Oc27	17.4	1753
2½pc '01	(78.3)	187 3/32	0.5	2,150	My24 Se24	13.3	1310
2½pc '03	(78.8)	183 13/32	0.7	2,300	My20 Nv20	11.11	1317
4⅜pc '04‡‡	(135.6)	116 1/16	0.8	1,150	Ap21 Oc21	10.4	1355
2pc '06	(69.5)	193 13/32	1.0	2,350	Ja19 Jy19	9.1	1314
2½pc '09	(78.8)	173⅛	1.2	2,400	Mr20 Nv20	11.11	1318
2½pc '11	(74.6)	179 13/32	1.3	2,950	Fe23 Au23	13.2	1319
2½pc '13	(89.2)	147¼	1.4	3,400	Fe16 Au16	6.2	1320
2½pc '16	(81.6)	157 13/32	1.5	3,400	Ja26 Jy26	16.1	1321
2½pc '20	(83.0)	150 13/32	1.6	3,350	Ap16 Oc16	7.4	1322
2½pc '24‡‡	(97.7)	124 13/32	1.7	3,400	Ja17 Jy17	6.1	1323
4⅛pc '30‡‡	(135.1)	122 13/32	1.7	1,300	Ja16 Jy22	13.1	1134

(b) Figures in parentheses show RPI base for indexing, (ie 6 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for August 1996: 153.1 and for March 1997: 155.4.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Asian Dev 10¼pc 2009		119 5/16	2.7	100	Mr24 Se24	24.3	-
B'ham 11½pc 2012		129½xd	—	45	My15 Nv15	15.4	1837
Leeds 13½pc 2006		134½	—	40	Ap1 Oc1	18.3	3146
Liverpool 3½pc Irred		41	-2.4	5	1ApJyOcJa	3.3	-
LCC 3pc '20 Aft		35xd	-2.8	26	1MrJeSeDe	1.5	-
Manchester 11½pc 2007		122½	—	0	Ap25 Oc25	17.3	3275
Met. Wtr 3pc 'B'		80	—	25	Mr1 Se1	3.2	3361
N'wide Anglia 3⅞pc 2021		143 3/16	1.0	60	Ja30 Jy30	16.12	3465
4¼pc IL 2024		135⅝	1.0	50	Au23 Fe22	13.1	-
Utd Mex States 16½pc 2008		132	—	50	Mr1 Se1	30.1	-

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

The Financial Times plans to publish a Survey on

Management Buyouts

on Friday, May 30

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FT Surveys

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GAS DISTRIBUTION

ENGINEERING - Cont.

HEALTH CARE

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		225		0545c	φ	May Oct	2.9	-
Barlow	‡	6517	0.8	0105c	3.3	Jan Jul	9.12	-
Gold Flds Prop R	†	139	3.2	082c	1.5	Feb Sep	2.95	-
SA Brews		£18.3	-1	0200c	φ	Jul Feb	2.12	4113
Standard Bank		£28	1.8	0264c	3.1	Sep Mar	-	-
Tiger Oats		816	-23.6	0132c	2.8	Jun Jul	10.6	-
Tongaat-Hulett		767	-2	0134c	φ	Jun Jun	20.5	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ∮ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. or interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Bickerton, Birmingham City, Dobbies Garden Centres, Methven's (AIM). Deletions: Phoenix Timber (BdMe), Walhalla Mining (Exln), French Property Inv Tst Wrts (InTr), Helene (Text).

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9660. Ring 0161 770 0770 (open 24 hours including weekends) or Fax 0161 770 3822. Reports will be sent the next working day, subject to availability.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Pembroke Hse, Pembroke, Bermuda

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Rothschild Asset Management - Contd.

Royal Bk of Canada O/S Fd Mgrs Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Murray Johnstone (Dublin) Ltd

Europa House, Harcourt St, Dublin 2 3531 407 2000

Odey Asset Management Ltd

Baring Mutual (Ireland) Ltd

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	Yield Gross	City-Line
Old Mutual International (Isle of Man) Ltd				
Victory Hse, Prospect Hill, Douglas, IoM 01624 663063				
Distribution Fund–Deferred	82.33		-	53194
Distribution Fund–Quarterly	82.75		5.44	53195
Distribution Fund–Half Yearly	82.13		5.54	53196
European Equity	166.21	176.72	-	44916
Far Eastern Equity	$1.8030	1.9387	-	44915
North American Equity	$1.5844	1.7144	-	44917
UK Equity	186.25	202.41	-	44918
UK Gilt & Fixed Int	122.83	131.66	-	44919
Dollar Deposit	$0.7785	0.8372	-	44920
Sterling Deposit	110.57	118.96	-	44921
International Managed	148.10	157.08	-	44922
PanEuroLife societe anonyme				
30 Av Marie-Therese, Luxembourg 00 352 456730				
French Balanced Apr 30	FFr7676.50		-	50225
German/Benelux May 30	DM3545.59		-	50226
Global Equities Apr 30	$1415.82		-	50227
Ltd Secure Gth Mar 30	£782.12		-	50228
US Secure Growth Apr 30	$1270.55		-	53197
Mar Real Estate Apr 30	Ecu1635.67		-	50229
Fund of Funds Apr 30	Ecu1409.85		-	50230
Trigonus DEM Guaranteed 3.0%	DM1044.42		-	-
Trigonus LUF Guaranteed 4%	LFr1052.37		-	-
Trigonus USD Guaranteed 3.5%	$1045.79		-	-
Trigonus FRF Guaranteed 3.0%	FFr1045.72		-	-
USD 2004	$516.52		-	-
Premier Life				
1 Rue Emile Bian, Luxembourg Tlx 2909 Tel 4050751				
Davenport Cisdock £ Fd.	£1.280	1.360	-	45918
Magnamus £ Fund	£1.060	1.120	-	45921
Mallinson £ Fund	$1.010	1.070	-	45922
August Global	£18.220		-	45311
August Equity Gth	£20.100		-	45312
OFS/Lonsys Char Mgd £	£2.50	2.51	-	45809
OFS/Lonsys Capl Mgd $	$2.14	2.15	-	45808
OFS Aggressive $	$1.54	1.55	-	45813
OFS Mngd Growth $	$1.54	1.55	-	45812
OFS Dir Balanced Port.	$1.55	1.59	-	45810
CH 10	SFr1.87	2.01	-	47415
LX 10	$1.72	1.83	-	47416
Professional Investment Consultants				
Premier Lux $	$1.440	1.610	-	49491
Premier Lux £	£1.400	1.470	-	47957
PCI Worldwide Opps	£1.308	1.404	-	49492
SPILA Flexible Growth	$1.014	7.080	-	51574
Royal Life International				
Royal Court, Athol Rd, Castletown IoM 01624 821212				

	Selling Price	Buying Price	Yield Gross	City-Line
Apax Bank & Trust Company				
GCM Mar Convertible (OEIC)	$1277.87		-	-
GCM Intl Fixed Income (OEIC)	$1143.54		-	-
GCM Mar Equity (OEIC)	$128.18		-	-
Aradis Capital Advisers LLC				
Aradis Clipper Ltd	$126.08		-	47198
Arc Investment Company Ltd				
Rainbow	$580.84		-	47785
Rainbow	SFr640.82		-	47801
Arisaig Partners (BVI) Ltd				
Arisaig Asian Small Companies Fund				
NAV	$10.05		-	-
Arnhold and S. Bleichroeder, Inc				
Aston Corporation–Class A	$10690.72		-	55282
...	$719.91		-	55283
DEF Associates N.V. – Class A	$15674.35		-	55284
Eagle Select Fund Ltd	$1018.61		-	-
First Eagle Fund N.V. – Class A	$95138.29		-	55285
Global Beverage–Class A	$5 21.34		-	55286
Asia Pacific Capital Strategies Fund				
NAV Apr 29	$9.0731		-	54883
Asia Pacific Securities Corp Ltd				
Indian Smlr Co Fd Ltd Apr 25	$8.00		-	53280
Asian Convertibles & Income Fd (Cayman)				
NAV Apr 3	$12.86		-	44490
Atlantico Investment Ltd				
Atlantico Libor Plus May 2	$100.31		-	-
Atlantic Fund Management (Guernsey) Ltd				
Atlantic Japan Gwth Diluted	$7.01		-	49886
Atlantic Japan Gwth Undiluted	$6.41		-	49887
Atlantic Korea Fund Inc	$21.16	88.18	-	-
Atlas Management Limited				
Managed	$11.48	12.05	-	47280
Aureus Funds				
c/o MeesPierson Fund Administration				
Aureus Multi-Fund Ltd Mar 31	$119.04		-	55297
Aureus Gold Fund Ltd Mar 31	$83.18		-	55298
Aureus Investor Fund Ltd Mar 31	$125.05		-	55299
BAS–EX Currency Fund Plc				
NAV (OEIC)	L105276		-	-
BEA Associates				

[Remaining fund price listings on this page — including Credit Agricole Group/Segespar, Garantie Fund of Funds Ltd, Indosuez Asset Management Asia Ltd, Lloyds Bank International (Bahamas) Ltd, Oriental Development Company Ltd, Sloane Robinson Investment Mngmt Ltd, Global Asia Inc, Jardine Fleming Unit Trusts Ltd – Contd., and OTHER OFFSHORE FUNDS — illegible]

OTHER OFFSHORE FUNDS

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

INDICES

	May 2	May 1	Apr 30	1997 High	1997 Low
Argentina					
General(29/12/77)	21317.77	(c)	21027.90	23501.32 24/2	19237.37 2/1
Australia					
All Ordinaries(1/1/80)	2491.8	2485.4	2438.0	2501.70 18/2	2302.20 1/4
All Mining(1/1/80)	888.6	888.4	883.0	987.10 24/2	878.40 16/4
Austria					
Credit Aktien(30/12/84)	401.79	(c)	400.21	418.23 11/3	374.40 9/1
Traded Index(2/1/91)	1205.71	(c)	1194.23	1258.43 11/3	1130.22 9/1
Belgium					
BEL20(1/1/91)	2253.83	(c)	2245.51	2253.83 2/5	1871.95 2/1
Brazil					
Bovespa(29/12/83)	10074.0	(c)	9982.0	10074.88 2/5	9.00 29/4
Canada					
Metals Minls(1975)	5364.70	5282.07	5248.90	5981.75 10/3	4945.98 11/4
Composite(1975)	6106.90	6008.90	5976.60	6332.97 10/3	5679.30 14/4
Portfolio(4/1/83)	3115.33	3053.47†	3030.03	3214.18 10/3	2946.02 11/4
Chile					
IGPA Gen(31/12/80)	5356.17	(c)	5331.05	5443.52 25/2	4912.42 2/1
Denmark					
CopenhagenSE(3/1/83)	546.52	545.10	545.38	585.49 11/3	470.14 2/1
Finland					
HEX General(28/12/90)	2972.49	(c)	2933.76	3006.38 11/3	2483.28 2/1
France					
SBF 250(31/12/90)	1777.93	(c)	1767.83	1815.36 10/3	1533.19 2/1
CAC 40(31/12/87)	2655.31	(c)	2639.46	2769.21 10/3	2256.97 2/1
Germany					
FAZ Aktien(31/12/58)	1184.37	(c)	1179.76	1192.68 11/3	986.21 2/1
Commerzbank(1/12/53)	3543.00	(c)	3456.4	3543.00 2/5	2875.90 2/1
DAX(30/12/87)	3460.37	(c)	3438.07	3460.59 11/3	2848.77 2/1
Greece					
Athens SE(31/12/80)	1484.87	(c)	1467.51	1484.87 2/5	954.54 2/1
Hong Kong					
Hang Seng(31/7/64)	13081.70	13020.78	12903.30	13868.24 20/1	12055.17 3/4
India					
BSE Sens.(1979)	3801.71	(c)	3841.11	3944.61 4/3	3225.84 2/1
Indonesia					
Jakarta Comp.(10/8/82)	647.89	650.45	652.05	712.80 26/2	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3165.47	3162.93	3104.61	3165.47 2/5	2725.07 2/1
Italy					
Banca Comm Ital(1972)	772.00	(c)	767.62	787.71 10/2	642.55 2/1
MIB General(2/1/97)	1161.0	(c)	1155.0	1187.00 10/2	981.00 2/1
Japan					
Nikkei 225(16/5/49)	19514.76	19275.33	19151.12	19514.76 2/5	17303.65 10/1
Nikkei 300(1/10/82)	285.23	282.08	278.75	285.23 2/5	251.04 27/1
Topix(4/1/68)	1467.53	1453.24	1441.19	1480.86 6/1	1320.92 10/4
2nd Section(4/1/68)	1685.87	1679.42	1687.00	1829.21 6/1	1619.50 15/4
Malaysia					
KLSE Comp.(4/4/86)	1087.56	(c)	1080.17	1271.57 25/2	1058.51 29/4
Mexico					
IPC(Nov 1978)	(u)	(c)	3756.81	3838.69 25/2	3358.46 2/1
Netherland					
CBS TtlRtnGen(End 83)	890.2	891.9	(c)	894.90 1/5	730.80 2/1
CBS All ShrGen(End 83)	520.4	521.5	(c)	521.50 1/5	428.80 2/1
New Zealand					
Cap. 40(1/7/86)	2277.53	2265.11	2261.53	2440.21 20/1	2207.43 1/4
Norway					
Oslo SE Ind(2/1/83)	1846.59	(c)	1855.34	1941.40 20/2	1638.03 2/1
Philippines					
Manila Comp(2/1/85)	2605.65	(c)	2646.17	3447.80 3/2	2605.65 2/5
Portugal					
BVL 30(4/1/93)	2840.11	(c)	2724.54	2840.11 2/5	2165.57 2/1
Singapore					
SES All-S'pore(2/4/75)	486.13	(c)	484.79	573.03 17/2	479.94 29/4
South Africa					
JSE Gold(28/9/78)	1181.6¶	(c)	1187.0	1589.18 27/2	1181.60 2/5
JSE Ind.(28/9/78)	8539.5¶	(c)	8494.3	8539.50 2/5	7869.50 2/1
South Korea					
KoreaCompEx**(4/1/80)	706.10	(c)	703.23	721.08 14/2	611.05 7/1
Spain					
Madrid SE(30/12/85)	(c)	(c)	513.35	513.35 30/4	434.54 2/1
Sweden					
AffarsvarldsGen(1/2/37)	2725.0	(c)	2679.8	2832.40 10/3	2378.58 2/1
Switzerland					
Swiss Bk Ind(31/12/58)	2343.84	(c)	(c)	2343.84 2/5	1817.85 13/1
SBC General(1/4/87)	1838.50	(c)	(c)	1838.50 2/5	1318.14 8/1
Taiwan					
Weighted Pr.**(30/6/66)	8127.00	(c)	8485.66	8661.72 26/4	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	669.10	(c)	661.29	859.87 22/1	658.58 29/4
Turkey					
IMKB Nat 100(1986)	1431.00	1489.0	1427.0	1654.80 21/3	995.00 2/1
WORLD					
MS Capital Int(1/1/70)	850.9*	847.2	845.3	854.40 25/2	794.58 14/4
CROSS-BORDER					
Eurotrack 100(26/10/90)	2247.26	2229.09	2224.77	2247.26 2/5	1868.80 2/1
Euro Top-100(26/6/90)	1919.61	1911.19	1910.32	1919.61 2/5	1582.88 2/1
HSBC JC Dragon(31/12/88)	(u)	389.43	387.22	428.46 20/1	381.54 29/4
ING Barings Emrg(7/1/92)	173.40	173.58	173.29	181.33 26/2	158.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Apr	2623.0	2621.2	+16.2	2627.0	2602.0	23,460	15,624
May	2628.0	2636.0	+15.0	2650.0	2617.0	17,491	26,791
DAX							
Jun	3467.0	3505.0	+53.0	3518.0	3452.5	20,008	160,329
Sep	3486.0	3531.0	+53.0	3531.0	3484.0	233	5,497
OMX							
Apr	2102.00	2118.50	+38.50	2118.75	2096.00	4,918	21,748
May	2115.00	2125.00	+38.50	2127.75	2108.50	95	1,463
SOFFEX							
May	4900.0	4954.9	+60.9	4957.0	4894.0	3,967	25,812
Jun	4896.0	4996.0	+37.0	4896.0	4896.0	2	860

** Sat Apr 26: Taiwan Weighted Price 8851.72; Korea Comp Ex 698.76. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; IMKB Nat 100 – 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: May 2 - 3491.06 +52.99. † Correction. * Calculated at 15.00 GMT. # Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

US INDICES

Dow Jones	May 2	May 1	Apr 30	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7071.20	6976.48	7008.99	7085.16 (11/3)	6391.69 (11/4)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.89	101.75	101.58	103.83 (19/2)	101.09 (14/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2605.83	2544.18	2572.54	2605.83 (2/5)	2222.07 (2/1)	2605.83 (2/5/97)	13.23 (8/7/32)
Utilities	220.72	215.46	216.39	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7104.81 (7041.90) Low 6935.54 (6891.39) (Theoretical◆)
Day's high 7077.82 (7008.99) Low 6976.65 (6913.47) (Actual◆)

Standard and Poors	May 2	May 1	Apr 30	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	812.97	798.53	801.34	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials¥	954.41	938.77	942.01	954.41 (2/5)	855.42 (11/4)	954.41 (2/5/97)	3.52 (30/6/32)
Financial	92.81	90.55	90.61	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	422.97	415.71	415.94	427.70 (10/3)	389.47 (11/4)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	568.50	558.50	552.91	603.63 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Comp	1305.33	1270.50	1260.76	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (8/10/74)

■ RATIOS

	Apr 25	Apr 18	Apr 11	Year ago
Dow Jones Ind. Div. Yield	1.82	1.82	1.84	2.17
	Apr 30	Apr 23	Apr 16	Year ago
S & P Ind. Div. yield	1.75	1.80	1.82	1.86
S & P Ind. P/E ratio	22.89	22.19	21.85	21.80

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Ph Morris	8,524,700	39⅞	+¼
Tosco	6,246,000	30¼	+1⅝
Global Mar	5,565,600	18⅝	-⅜
Pepsico	4,667,400	35½	+⅛
LSI Logic	4,632,000	41⅝	+1¼
Compaq	4,594,700	91½	+3¼
Elect Data	4,512,800	37⅞	+2⅝
Pharm Upj	4,429,500	29¾	-½
Micron Tc	4,300,600	38¾	+⅛
Cypress Sn	4,251,100	15¼	+⅞

■ TRADING ACTIVITY

● Volume (million)

	May 2	May 1	Apr 30
New York SE	499.731	463.712	558.042
Amex	18.322	20.452	18.356
NASDAQ	(u)	626.482	668.636
NYSE			
Issues Traded	3,341	3,313	3,353
Rises	2,129	1,458	1,611
Falls	482	1,023	945
Unchanged	730	832	797
New Highs	196	75	117
New Lows	17	28	41

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Jun	802.00	816.55	+14.50	818.90	803.20	80,271	180,180
Sep	813.00	824.65	+14.65	827.10	811.50	523	6,490
■ Nikkei 225							
Jun	19240.0	19530.0	+230.0	19560.0	19210.0	20,563	227,735
Sep	19330.0	19500.0	−10.0	19500.0	19330.0	175	4,846

Open interest figures for previous day.

NORTH AMERICA

CANADA

TORONTO (May 2 / Can $)

4 pm close

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Friday, May 2, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	13.4m	375	+4
Toshiba Corp	10.4m	753	+19
Matsushita E Ind	6.8m	2150	+80
NKK Corp	6.7m	275	+3
Kawasaki Steel	6.6m	382	+3
Fujitsu	6.3m	1370	+20
Mitsui Min & Sml	6.1m	521	+7
Hitachi	5.7m	1230	+20
Tokyo Gas	5.1m	294	-1
Mitsubishi Hvy	5.0m	820	-11

4 pm close May 2

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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NYSE PRICES

4 pm close May 2

Continued from previous page

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅞	24⅞	Zenith Nat x	1.00	3.7	12	29	26¾	26⅜	26¾	+⅜
7½	7⅛	Zenix Inc	9.73	10.1		150	7¼	d7⅛	7¼	
23¾	17¾	Zero	0.12	0.6	16	134	20¾	19⅞	20¾	+1
11½	10¾	ZweigFd	1.16	10.2		217	11⅜	11¼	11⅜	+⅛
8⅝	6	Zweig Tot	0.84	9.7		498	u6⅝	9½	8⅝	

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
X Dealings suspended.

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AMEX PRICES

4 pm close May 2

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cambrex	0.20	14	61	35½	34⅜	35½	+1
CnFdCaA♣	0.01		158	4⅛	d4³⁄₁₆	4¹⁄₁₆	-¹⁄₁₆
Cominco♣		18	3	26	26	26	+¼
CopTch			127	9¾	8½	8⅝	-¼
Computrac			154	1¼	d1³⁄₁₆	1¼	
GldBr x	0.70	11	447	16½	15⅞	16½	+⅝
GoldField			125	⁵⁄₁₆	d¼	¼	-¹⁄₁₆
HanDir			1212	¾	¹¹⁄₁₆	¾	+¹⁄₁₆
MSR Expl			10	1¹⁄₁₆	1¹⁄₁₆	1¹⁄₁₆	+¹⁄₁₆
NatPatDev		4	78	6¹³⁄₁₆	6⅝	6¹³⁄₁₆	+⅛
WIRET	-1.12	16	z0	12¾	12¾	12¾	+⅛
Xytronix			225	1¹⁄₁₆	d1	1¹⁄₁₆	+¹⁄₁₆

NASDAQ NATIONAL MARKET

4 pm close May 2

- J -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Johnson W			245	12¼	11⅝	12¼	+⅛
Jones Int			2256	9⅛	8⅞	9⅛	+⅛
Jones Med	0.08	45	2437	35⅝	33½	35¼	+¾
JSB Fin	1.40	16	37	42¾	41½	42½	
Juno Ltg	0.32	14	823	16¼	15½	16¼	+⅝
Justin	0.16	13	110	11⅛	10⅞	11⅛	+⅛

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	32	9 63	u13¼	12¾	13³⁄₁₆	+¹⁄₁₆
Kaman Cp	0.44	24	461	13⅝	13	13½	+¼
Kelly Sv	0.84	14	1708	28⅛	25⅜	27¾	+2¼
Kimball	1.04	14	737	39	36	38⅝	+2⅛
KLA-Tn		28	28220	u50⅝	47⅜	50⅝	+3⅜
Koll A			2522	³⁄₃₂	d¹⁄₃₂	⅛	
Komag♣		18	10309	30⅝	29⅜	30	+⅜
Kulicke S			4356	29¾	26⅝	29⅜	+⅝

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Premisys		130	1812	69.02	67¼	69	+½
PridePt♣		83	5011	17⅛	16½	16¹¹⁄₁₆	-¹¹⁄₁₆
Printrak		15	341	13⅛	12¾	13⅛	+¼
Prod Ops x	0.28	29	614	57⅝	57.21	57½	+⅜
Qualcomm		101	23108	49¾	47¾	49½	+½
Qual Food		22	z0	39⅞	39⅞	39⅞	-¼
Quantum		28	55805	45⅞	43	45¹³⁄₁₆	+3¹³⁄₁₆
Quickslv		15	801	25½	23¾	24½	+1¼
Quintiles		189	5295	57½	53¼	56¾	+2⅞

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow♣		11	78	15	14½	14½	-⅛
Rallys			107	3	2²⁷⁄₃₂	3	
Raymond	0.25	15	100	30⅛	29⅞	30	+¹⁄₁₆
RCSB Fin x	0.80	19	883	30⅛	29¾	30	+⅜
Read-Rite		21	478	26	26⁵⁄₁₆	27½	+1¼

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wet SealA		21	2354	25	24¼	24½	-⅛
Wilmtte	1.28	26	z0	63½	d63½	63½	
WmsSonoma		38	1033	32	30¾	31⅞	+¾
Wolohan L	0.28	12	41	12½	12	12⅜	+¼
Wrldcm			85660	25⅜	24⅛	25¼	+1⅛
Worthinds	0.48	16	2755	18¾	18¼	18½	-¼
WPP ADR	0.10	22	301	40⅝	40⅜	40⅜	-⅝
Wyman-Gdn	0.40	27	1952	21¾	21¼	21⅜	-¼

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx♣		36	23645	52⅝	49⅛	52⅝	+3¾
Xircom		16	17870	11½	10½	11½	+1¼
Xoma Corp			1832	4⁷⁄₁₆	4¼	4¼	-¹⁄₁₆
Yellow			3522	20⅜	19½	20	+¼
York Rsch		16	182	6	7¾	6	+¹⁄₁₆
ZionsUtah	1.78	16	588	129¾	127¼	129	-⅜

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members. EASDAQ Members are made up of Brokers and Banks from across Europe

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7	-0.125	3800	8.25	7	Esprit Telecom ADS	US$6	-1.625	1000	12.25	6
Artwork Systems	US$10.375	-0.125	12280	11	9.5	Innogenetics	US$11.75		15475	12.75	10.375
Chemunex	FFr16		144720	18	16	Mercer Internatl.	US$8.375xd		0	11.75	8.125
Dr Solomon's ADS	US$22	-1.375	0	26.5	16.875	PixTech	US$4.5		9	8.125	4.25

Prices for 2/5/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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FT GUIDE TO THE WEEK

MONDAY 5

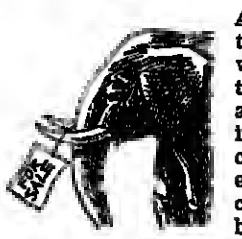
Clinton visits Mexico

President Bill Clinton of the US begins his first tour of Latin America with a visit to Mexico, his North American Free Trade Agreement partner and southern neighbour. The main issue will be the vast quantities of drugs pouring across their common border. Mr Clinton is likely to be diplomatic about President Ernesto Zedillo's efforts to curb trafficking, but with 70 per cent of the cocaine entering the US controlled by Mexican cartels, he is likely to press for further measures. Mr Clinton goes on to meet leaders of 14 Caribbean countries (May 10) in Barbados. The Caribbean Community countries want quotas and duties removed from their exports to the US to help correct a $3bn-a-year trade deficit with the US. Mr Clinton will seek to reduce the increasing volumes of narcotics going through the archipelago from South America to North America.

Taiwan reforms

Taiwan's National Assembly convenes for its annual two-month session. Charged with amending the country's constitution, tha assembly will consider wide-ranging constitutional reforms. These include revisions which would broaden presidential powers and allow the president to dissolve parliament. Other proposals would dismantle the provincial government, lower the voting age from 20 to 18, strengthen the political independence of the judiciary and guarantee greater political representation for women.

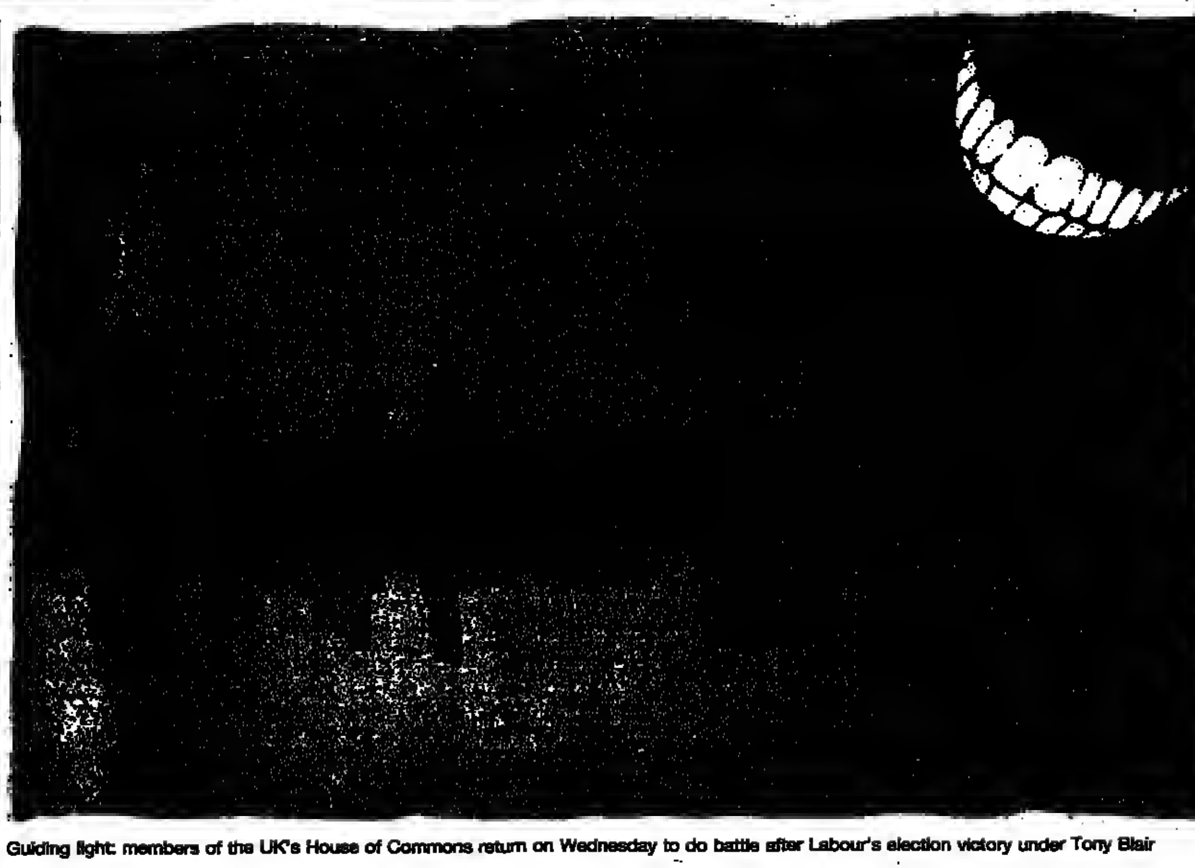
Ivory trade tops agenda



A bid to reopen the ivory trade will be one of the main topics at an international conference on elephant conservation being hosted by the Environmental Investigation Agency in Johannesburg on Monday (to May 7). International trade in ivory has been banned under the UN Convention on International Trade in Endangered Species (Cites) since 1989. Three African countries – Botswana, Namibia and Zimbabwe – have tabled proposals to trade ivory with Japan on which a decision is expected in June at the Cites conference in Harare, Zimbabwe. Conservationists believe a renewal of legal trade in ivory could rekindle poaching.

Kohl in Canberra

Germany's Chancellor Helmut Kohl holds talks in Canberra with John Howard, Australia's prime minister. Trade and regional economic issues are on the agenda, but Mr Howard is also expected to lobby against Europe-US plans for global limits on greenhouse gas emissions. Australia maintains the proposals would be punitive and wants differentiated targets to take account of its energy exports. Germany is one of the plan's strongest advocates.



Guiding light: members of the UK's House of Commons return on Wednesday to do battle after Labour's election victory under Tony Blair

WHO sets budget

The World Health Organisation begins its annual assembly in Geneva (to May 14). The WHO's 191 members are due to adopt the UN agency's budget for the next two years – a debate that could prove acrimonious with the US calling for a 5 per cent budget cut rather than zero growth. They will also discuss reforms of the WHO's management and structure and a renewed "health-for-all" strategy for the 21st century. Also on the agenda are issues such as the impact of pollution, prevention of violence and the epidemic of "lifestyle diseases" such as cancer, heart disease and diabetes.

Summit for first ladies

The inaugural summit of African First Ladies Peace Mission, begins in Abuja, Nigeria (to May 7). The brainchild of Maryam Abacha, the wife of the general who seized power in Nigeria three and a half years ago, the summit hopes to attract at least 30 first ladies to promote peace on the continent. The mission was established in Beijing in 1995 during the United Nations women's conference. The meeting hopes to complement rather than replace unsuccessful efforts by the Organisation of African Unity to bring peace to Zaire and elsewhere.

England tipped in chess

England's chess players are top seeded to win their first gold medal in a leading team competition. They will be playing at the European team championships in Pula, Croatia (to May 15). The team is led by Nigel Short and Michael Adams and sponsored by private bankers Duncan Lawrie. England is rated 10 points ahead of the Olympic champions, Russia. Russia's top three players – Kasparov, Karpov and Kramnik – have all chosen not to play. During the championships, Kasparov is playing the IBM Deep Blue super-computer in New York.

Public holiday

Ethiopia, Ireland, Japan, Korea, Mexico, Moldova, Montserrat, Namibia, Netherlands, St Vincent, Thailand, Tonga, UK.

TUESDAY 6

Singapore-Japan talks

Shanmugam Jayakumar, Singapore's foreign minister, arrives in Japan on a three-day visit during which he will hold talks with Yukihiko Ikeda, Japan's foreign minister, and other Japanese leaders. Singapore has close bilateral ties with Japan and a large number of Japanese manufacturing facilities are based in Singapore. However, the government is concerned about increasing competition for Japanese direct investment from industrial centres in south-east Asia.

Saleroom: New York

The big summer art sales start in New York this week with Sotheby's contemporary art auction taking place today and Christie's tomorrow. Sotheby's auction includes "Untitled", a 1947 painting by de Kooning. It is the harbinger of action painting and carries a top estimate of $2.5m. Last year a de Kooning of roughly the same period sold at Christia's for $15.6m, the top price paid at auction in 1996 for a work of art. "Crosstown" by de Kooning's friend Franz Kline is estimated at $1.5m. At Christie's sale, "Amityville", another de Kooning of 1947, is expected to make up to $3m. Included in the section covering pop art is Andy Warhol's "Campbell's Soup Can", which could make up to $2.5m.

Japan extends ATM hours

Tokyo Sowa Bank is to begin the first 24-hour automatic teller machine service to be offered by a Japanese bank in Japan, breaking the traditional ATM closing hours of 7pm on weekdays and 5pm on weekends. The Tokyo-based bank will start with round-the-clock teller machine services at about 40 ATMs in Tokyo. Citibank, with which Tokyo Sowa has a close relationship, has been the only bank to offer such services in Japan.

Public holidays

Lebanon, Syria.

WEDNESDAY 7

Back in the House

The House of Commons meets for the first time since the general election in the UK to elect a Speaker – almost certain to be Betty Boothroyd, Speaker in the last parliament. In accordance with tradition dating from the 17th century, the successful candidate will be dragged, resisting, to the chair. Only then can the business of the House commence. The 659 MPs will be sworn in between today and Friday. The Labour government's first formal cabinet meeting is expected to take place tomorrow. The new parliament will be opened formally on May 14 by the Queen, who will set out the new government's legislative programme for the year.

Focus on Cannes

Movie mania takes over as the Cannes film festival celebrates its 50th birthday (to May 18). Golden Palm candidates at the festival in the French Riviera resort include Johnny Depp *(The Brave)* and Gary Oldman *(Nil By Mouth)*, both directing debuts, Wim Wenders *(The End of Violence)* and Nick Cassavetes *(Call It Love)*. The festival jury will be led by French actress Isabelle Adjani. Special celebrations are planned for tha anniversary, including the presentation of the Palm of Palms to Sweden's Ingmar Bergman.

Poles seek Nato pledge

Suleyman Demirel, president of Turkey, arrives in Poland for a three-day official visit during which the Poles will seek assurances that Turkey will not try to block their entry into Nato. Ankara has threatened to raise objections if the European Union continues to delay Turkey's progress into the EU. The same day sees the start of a five-day visit to Poland by James Wolfensohn, president of the World Bank. He proposes a switch in World Bank activity in Poland from providing loans to technical and managerial help.

Annan visits China

Kofi Annan, United Nations' secretary-general, begins his first official trip to Beijing since he took office this year. Before arriving in China, he will attend the first conference of parties to tha Chemical Weapons Convention at The Hague.

Football

Uefa Cup Final, first leg.

FT Surveys

FT Review of Information Technology; European Film Finance.

THURSDAY 8

Iran hosts oil meeting

Iran hosts an international oil and gas conference at Isfahan. The meeting will include several ministers from the Organisation of Petroleum Exporting Countries. The Tehran government used the last petroleum conference at Isfahan in 1993 to announce that foreign companies would be allowed to participate in developing its offshore oil industry. Only one such project has materialised although several deals are being negotiated.

Golf

Benson & Hedges International Open, The Oxfordshire, Thame (to May 11).

Equestrianism

Badminton Horse Trials (to May 11).

Public holidays

Holidays in many countries including Andorra, Botswana, Cameroon, Czech Republic, Denmark, Finland, Germany, Iceland, Monaco, Netherlands, Norway, Portugal, Sweden, Switzerland.

FRIDAY 9

Mexican centenary

Prince Akishino, the second in line to Japan's chrysanthemum throne, and his wife, Princess Kiko, leave for Mexico to attend a ceremony marking the centenary of the arrival of the first Japanese settlers. The prince is honorary president of the centennial celebration. The couple will visit Acacoyahua, in the state of Chiapas, where the first 35 Japanese immigrants settled in 1897.

FT Surveys

Pension Fund Investment; Asian Financial Markets.

Public holidays

Azerbaijan Rep, Georgia, Kazakhstan, Russian Fed, Turkmenistan, Ukraine.

WEEKEND 10-11

Pope to visit Lebanon

Pope John Paul II starts a two-day visit to the Lebanon on Saturday. The visit will be the first by a pope to the country in modern times. The Pope plans to hold talks with top Moslem and Christian spiritual leaders and is due to sign the Apostolic Exhortation of the church synod on Lebanon held at the Vatican in 1995. The synod called for the end of the Israeli occupation of south Lebanon and departure of the Syrian troops from Lebanon.

Sumo in the summer

The 15-day Summer Grand Sumo tournament opens in Tokyo at the Kokugikan, the national sumo stadium, on Sunday. The 2,000-year-old form of wrestling is considered to be the national sport of Japan, but has developed a strong following among overseas enthusiasts.

Motor racing

Monaco Grand Prix on Sunday.

Compiled by Bob Vincent
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ECONOMIC DIARY

Other economic news

Monday: German industrial production for March is set to reflect positive developments in the manufacturing sector, suggesting a rise of about 1 per cent for the month, while manufacturing orders are also likely to show a sharp rise in exports.

Tuesday: Factory orders in the US for March are expected to show a decline for the first time in three months. This follows the weak durable goods report in March.

Wednesday: The first scheduled monetary policy meeting between Mr Gordon Brown, the Labour government's new chancellor, and Mr Eddie George, governor of the Bank of England. Most analysts are expecting a rise in base rates of between 0.25 and 0.5 per cent.

Thursday: The UK's Confederation of British Industry's survey of distributive trades for April may continue to show robust growth in sales volumes.

Friday: Forecasts for Japan's current account in March say there will be a large drop in the annual surplus, after a slowing in exports during the month.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Canada	Apr foreign reserves, chg	-0.3%	C$600m
May 5	Canada	Mar building permits*	1.2%	4.7%
	US	Mar home completions		1.51m
	Germany	Mar industrial prod, pan-Germany*	0.5%	1.9%
	Germany	Mar manu output, pan-Germany*	0.5%	1.1%
	Germany	Mar industrial prod, west*		0.9%
	Germany	Mar industrial prod, east*		8.1%
Tues	Japan	Mar overall PCE**	4.9%	0.1%
May 6	Japan	Mar PCE (workers)**		1.2%
	Japan	Mar income (workers)**		1.7%
	Japan	Apr trade balance (1st 20 days not†)		-Y31bn
	Germany	Apr unemployment, pan-Germany†	-20K	-15K
	Germany	Apr unemployment, west†	-8K	+1K
	Germany	Apr unemployment, east†	-12K	-16K
	Germany	Feb employment, west†	-35K	-83K
	UK	Apr Cips survey		63.3%
	UK	Apr M0*	0.2%	0.5%
	UK	Apr M0**	8.2%	6.4%
	US	Mar factory orders	0.3%	0.8%
	US	Mar factory inventories		0.4%
	Arg'tina	Mar trade balance		-$134m
Wed	UK	Mar industrial prod*	0.6%	-0.6%
May 7	UK	Mar industrial prod**	1.5%	1.5%
	UK	Mar manufacturing output*	0.3%	0.2%
	UK	Mar manufacturing output**	1.9%	1.6%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	US	Q1 productivity preliminary		1.1%
	US	Mar wholesale trade		2.1%
	US	Mar consumer credit	$6bn	$6.7bn
Thurs	Aust'lia	Apr employment	35,000	-33,900
May 8	Aust'lia	Apr unemployment rate	8.7%	8.7%
	US	Initial claims, May 3		347K
	US	State benefits, April 26		2,273K
	US	M1, week ended April 28		$15.7bn
	US	M2, week ended April 28		$21.5bn
	US	M3, week ended April 28		$17.8bn
	Japan	Apr overall wholesale price index*	1.5%	-0.1%
	Japan	Apr overall wholesale price index**	3.1%	1.6%
Fri	China	Apr retail price index		1.7%
May 8	Canada	Apr employment†*	0.3%	0.4%
	Canada	Apr unemployment rate	9.4%	8.3%
	US	Apr bank credit		8.4%
	US	Apr C&I loans		8.6%
During the week...				
	Germany	Mar manu orders, pan-Germany*	0.5%	-0.2%R
	Germany	Feb capital account		DM7.3bn
	Germany	Mar net foreign bond purchases		8.8bn
	Japan	Mar current account (IMF not†)	Y1,040bn	Y1,200bn
	Japan	Mar trade balance (IMF not†)		Y1,300bn
	Japan	Mar foreign bond investment		-Y450bn

*month on month, **year on year †seasonally adjusted

Statistics, courtesy MMS International.

JOTTER PAD

MONDAY PRIZE CROSSWORD

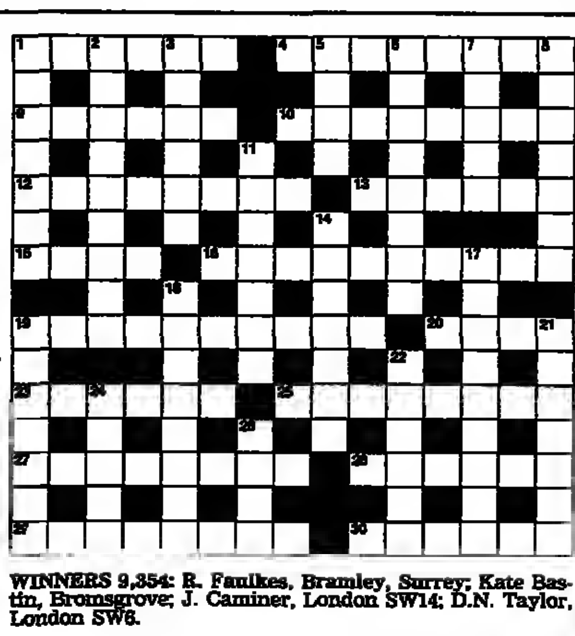
No.9,366 Set by DANTE

ACROSS

1 Gava tongue, though subdued (6)
4 Four entertained by girls' letters (8)
9 One won't remember losing it (6)
10 Plump for pudding (4-4)
12 It's used extensively by bandsmen (8)
13 In this way a West African country becomes East African (6)
15 Spot the wimp (4)
16, 20 Capital provision for 18 down, perhaps (10,4)
19 Charmed after a while by spring (10)
20 See 18
23 Staff provided to help the disabled (6)
25 Bad comedian was diabolical (8)
27 Taught to be literate (8)
28 Reason to speak about withdrawal of money (6)
29 The longest chord in non-musical circles (8)
30 Severely punished for being drunk (6)

DOWN

1 Cover includes small sum for one kind of company (7)
2 Combined to make notes about it (9)
3 Dress carried up to a point (6)
5 Revered figure in holding company (4)
6 Boys lost, misdirected by this crafty fellow (8)
7 Instrument played in "Twelfth Night" (5)
8 Pen catalogue for a writer (7)
11 Academic supports Judah's son continually (2,3,2)
14 River snake? (7)
17 Learning about Rugby issue (9)
18 City 16 across? (8)
18 To get ahead, take the other fellow's place (7)
21 Rotten ten years, it's said (7)
22 Advocates breaking into stolen Tasmanian capital (6)
24 A lump in one's throat (5)
26 Noisy French summer celebration (4)



WINNERS 9,354: R. Faulkes, Bramley, Surrey; Kate Bastin, Bromsgrove; J. Caminer, London SW14; D.N. Taylor, London SW8.

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday May 15, marked Monday Crossword 9,366 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 19. Please allow 28 days for delivery of prizes.

Name.................................

Address.................................

Solution 9,354